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Contributions should be addressed to THE EDITOR, PUBLIC ADMINISTRATION, Palace Chambers, Bridge Street, Westminster, S.W.1.

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Government: Its Personnel and Machinery

By SIR GWILYM GIBBON

I WROTE on some matters relating to the machinery of government in the issue of the journal for January, 1940. I did not do more than touch on some of the fringes of the subject, but had not intended returning to it at the present time, and am not doing so now of my own accord. I shall have something to say on two of the matters treated in the previous article, and make no apology for repetition, because it is needed, but propose principally to make some observations on the personnel of Parliament, on which not much has been written in proportion to its importance. The comments will apply in parts also to local councils.

Democracy is the noblest experiment in government and the most ambitious and difficult. It is an experiment, despite much that has been said or implied to the contrary, an adventure of hope. That it is noble is no guarantee of its success. Whether it will succeed will depend on its results, not on its aims, its results in the long run if it manages to avoid disaster along the way. It is being tested once again in the fires of war, it will be tried no less sternly in the tasks of peace, though in a different way.

Democracy will succeed only through its inherent strength, and that it has to endure these tests along the road is not wholly to be deplored, though one could have wished that it might have been spared so bitter and searing a test as that through which it is now passing. Any organism can long thrive, long in the sense of the ages, only if it has much to overcome. The world is so constituted that prolonged ease leads to decay, muscle and nerve keep strong only with exercise, and it is only through struggle of one kind or another that lasting joy of life can be earned. To quote the profound

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words of the Prime Minister, "It is a fine life if we can stick it," and sticking it, rising to the challenge of circumstances, is part of the contract of enduring life.

We are apt to overlook that democracy in its modern meaning is still in its childhood. Even for this country it did not begin until the present century, though we had been gradually approaching it for a long time. The old so-called democracies do not really afford a parallel, though they contain many a lesson for our learning. We and our fellow democracies are exploring a new world, with no more than some rough charts which suggest the nature of the land and some possible ways of advance. This, itself, is one reason why all the democracies should come more closely together.

We are also exploring in another sense. The times have changed greatly, even in the present century, and the pace of change is proceeding ever more quickly, in practice as well as in thought, in matters social as well as economic, in the functions of government and in the forces which determine them. It will probably ever be thus so long as vigour continues. There is no final goal, no Utopia of constant blue skies—fortunately. Where there is no change there is death, and where there is change there is struggle.

There have not been developments in the machinery of government corresponding with those in prevailing conditions or even with those in the functions of government. There have been adaptations and all the indications are that we shall do well to hold steadfastly to our time-honoured practice of gradual adaptations without violent breaks, but the adaptations need to be at a pace and of a measure to match those of conditions.

Democracy is showing its grit in this present struggle, as in the last and in the crises of the post-war period, especially when the clouds were heaviest. Grit of this quality is beyond price, but alone it will not suffice. There must be a much sterner sense of realities, a much quicker apprehension of them and a quicker and more effective response. There must be efficiency.

We shall win through this struggle as we did the last, though at a price made needlessly heavy by our failings. But looking at our shortcomings in the years before the present outbreak and to the problems likely to confront us in the future, civil not less than international, there is need of great mending of our ways to make our election sure. We have been too blandly complacent, too apt to go to sleep on our wishes, too reluctant to face realities in their stark significance. This is true in home as much as in foreign affairs, the principal difference being that the latter have been brought more tragically to reckoning. It is no good just blaming Ministers, how-

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ever grave their responsibility. The chief offenders have been the people; there are few who should not be at the penitent stool, and the only penitence that is convincing is in works.

I have ventured on these few opening remarks because the most important element in democracy is the electorate, and I shall not be dealing with it in this article. Without an enlightened and realistic electorate democracy cannot hope long to prosper. That is not a condition easy to fulfil, especially with the present wide franchise. Not much yet has been systematically attempted towards fulfilling it in proportion to the magnitude of the task. We have been putting our trust too much in the haphazard development of circumstances. It is very doubtful whether there is even general agreement how to go about the task, but go about it the country must if grave risks are not to be run.

Fortunately, "enlightened" in this sense does not mean that each elector must be full of knowledge of governmental affairs and versed in their practice, or even a majority of them; that would be a condition scarcely likely to be compassed for a long time. It will probably be enough if a sufficient section of them is thus endowed to leaven the whole.

What above all are to be desired, in addition to a genuine regard for national interests, reasonably free from personal, party or class bias, are these—enough practical sense to distinguish the fake from the genuine article and the mere wish from the reality: a demand for a high standard of integrity, in thought and word as well as in deed: a pervading sense of the organic nature of the political community, in the processes of its development as well as in the interdependence of its parts: not least, the realisation that there is no magic in government to transmute the mixed ore of human nature into pure gold, and that the rules of common sense and caution which are applied almost as a matter of course in everyday affairs need to be applied no less strictly in matters of government, generally even more. Indeed, half the battle for electoral enlightenment would be won if men and women would but apply the same tests to measures and methods of government as they adopt automatically in their daily dealings with others.

PARLIAMENT

There is an impression abroad that in recent years, more particularly in the last two decades, neither parliaments nor governments have contained a good representation of the top ability of the country. It is not easy to judge of matters of this kind, impressions are notoriously liable to be wrong, and the elderly are congenitally disposed to imagine that contemporary days can show no giants such as

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those of their younger years. But a good case can be made for the view.

Let us be clear what is meant. The average level of ability in parliament has been good during these years, probably at least up to that of previous decades, though this judgment can be little more than a guess without extensive detailed investigation, and probably even with it. On the other hand, if the adult population be divided into ten classes according to the measure of their character and ability, he would be bold who declared that in recent times parliament has been attracting a goodly proportion of the top tenth. It has to be remembered that the bulk of the population would be clustered at or a little above or below the average, and that the number in the top tenth would be few as compared with the total. And the number would be fewer still if those in the top tenth whose aptitude was not towards a political career were left out of account.

Now it is upon men in this top tenth that results chiefly depend. It would be too much to expect, nor would it be desirable, that parliament should be made up predominantly of men of this standard. There are several reasons why the average man should be well represented. It is well, too, that brilliant men should have their foils, men who will prune their periods, as Phocion did those of Demosthenes, but periods of ideas as well as of speech, such a foil as was probably Bonar Law to Lloyd George during the last war.

But it is strongly to be desired for the better government of the country that parliament should obtain a goodly share of the top tenth, especially in times like the present, when so many grave and difficult issues arise, not only in the supreme crisis of war but also in the critical days of peace. They may not be the men who set the main direction of developments, that is likely to be influenced more by the thinkers and the makers of public opinion, and still more by the trends and forces inherent in prevailing conditions; but they largely determine the pace, form and methods.

It is from the top tenth that Ministers should be largely recruited. The practice during the travail of war of appointing a number of men from outside parliament, a practice which might well be extended even though it has not been successful in every case, may in time be adopted even in days of peace. But there are good reasons why most Ministers should be taken from parliament, and the reasons apply more strongly during peace.

More Need for Members of High Quality

It is important in this connection that in recent years the number of Ministers has substantially increased, and may be increased still

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more, although if many more are added the independence of parliament may be endangered and a new cry arise about patronage, especially when account is taken of other ways in which members may be influenced without anything in the nature of direct or indirect bribery. Any way, the larger number of Ministers renders desirable a larger proportion of members of the top class.

So, too, does the larger number of big issues which come before parliament. We are in another era of extremely difficult and delicate international relations, an era when the old balances are upset and the nations are painfully seeking a new equilibrium; victory should ease the problems but will not remove them with a stroke, may, indeed, make them more acute later on. We are broadly in the same situation in economic affairs; the two, of course, are closely related, though there is much more to it than that. And in social affairs, we have set out on a voyage of discovery towards a new dispensation, of which we are but dimly and uncertainly aware, which may raise standards of general well-being to new levels, but may, on the contrary, undermine their very foundation. There never was a time yet in the long history of the country when there was a more pressing call for abundant character and ability, perspicacity and wisdom, initiative and enterprise among those to whom is committed the government of the country.

It is, of course, not only for the government of the day that members of very high quality are needed. His Majesty's Opposition is only second in importance to His Majesty's Government, and leading members of the former should be of like calibre to those in office. This not only so that the country may be assured of a good alternative government but also that the government in power shall be kept on its toes. Time and again within recent decades strong governments have become weak and flabby for want of a high quality of opposition. Quality is more important than numbers: even a few markedly able guerillas can make a heap of trouble, as parliamentary history bears witness, and as the Germans have again been experiencing.

Vagaries of present Electoral System

Mention of the need of a strong opposition brings to mind another question. Is it not high time that we set about preventing, or at least mitigating, the worst aberrations of our electoral system? There is far from a sufficient case for scrapping it, certainly not for proportional representation or something of the sort which may look attractive and eminently sensible on paper, but in practice has proved lamentable for good government. On several occasions, however,

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our electoral system has so exalted a majority and depressed a minority that good government has suffered, even though a sound majority is almost essential. The losing party (or parties) has lost important leaders and parliament some members who could ill be spared, and the set battles of parliamentary discussion, which should play an important part in actual government and in helping to form public opinion, have degenerated into petty sniping.

Knowing these ills and their deplorable consequences, it is surely absurd that we should complacently allow them to continue decade after decade as though the present system were sacrosanct and not one jot or tittle of it is to be altered, even though its vagaries be gross.

It might be provided, for instance, that a small number of members shall be nominated by each party after a general election, the number allotted to each being broadly proportionate to the total of votes cast for it, with an allowance for uncontested seats. In this way a party which had lost valuable leaders could bring them, or some of them, back into parliament. Or the innovation could be made the means of bringing in outstanding men whose services might be of exceptional value, just a few of them.

The incidental difficulties of detail should not be serious if the principle met with general support. Its governing purpose would be to reduce flagrant and harmful consequences from the unadulterated operation of the present system. The number nominated would be kept low in proportion to the total elected. The change would be well worth introducing, even if the nominated were additional to the total now elected, better if the latter were correspondingly reduced, and better still if the grand total of members were brought below the present figure; but that, perhaps, is to hope for too much.

This is but one expedient, a simple one. Any way, something should be done, not to supersede but to strengthen the present system, by cutting out the sting of one of its worst excesses. So long as this is not done, a gratuitous contribution is being made to the agitations of those purists who are more impressed by the theoretical symmetry of a system than by considerations of its value in actual practice.

The foregoing is a diversion, but one by no means irrelevant to the subject. To complete the tally of the need for exceptionally able members, parliament would, of course, be the better for many more of these than are required for filling the government and opposition front benches. For instance, it contributes to the sound operation of parliament if it contains a number of this class who are relatively independent, even though they may bear a party label,

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members who have little or no desire for office, persons of the elder statesman type or others of high reputation in other spheres of life. They are a steady and cooling influence, especially when tempers run hot on highly controversial issues, not least on the party to which they themselves belong when it is inclined to take the bit into its teeth. Some of them, too, may be able to speak with authority on subjects outside the close acquaintance of the ordinary member. The House of Lords as at present constituted has, at any rate, this asset, that there are few subjects on which some member or other cannot speak with authority.

This decline in the proportion of members of exceptional calibre seems also to have gone on to some extent in local authorities. For many years I used to ask the opinion of men of judgment familiar over a long period with the authority with which they were connected, and this was the general impression which I received. Even of those who might be inclined to contest this conclusion, I imagine that few would deny that the measure of exceptional ability is less than formerly in proportion to the bigger call for it, because of the heavy increase in the kind and volume of work and its greater complexity.

Reasons for Decline

It is not surprising that there should be a drop in the number of men of exceptional calibre in parliament. There are probably fewer men in the younger years of life who can now afford to devote themselves to a parliamentary career. There is less family tradition of public service: the old families have almost passed away where this tradition prevailed so strongly that it was nearly an obligation, where politics and statecraft were so much part of the family life that a young man with a bent in this direction sucked them in almost as a matter of course. The present Prime Minister is one of its few survivors: incidentally, even he, with all his brilliance, might not have had his chance so early in his career had he not been the son of Lord Randolph Churchill.

The system will not return; there is no general reason for regretting its passing; it was part of an old social order which has had its day; there is now a much bigger pool from which men may be chosen for the public service if means be available. But it did provide a source from which many men were drawn in their early years, several of whom rendered yeoman service to the country. It is open to question whether democracy has yet found an adequate substitute.

Then the work of a member has become much more exacting. The wooing of a constituency has become back-breaking in many

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cases. There are many fewer safe seats. When the candidate has become a member, the demands upon him are much heavier than upon his predecessor of a generation or two ago, if he conscientiously tries to do his fair quota of work. Much of the work is relatively detail, attendances at committees and the like, often important enough in itself but receiving usually little public notice, and much not affording the member many opportunities to show his mettle. The new member cannot complain if he has to serve an arduous apprenticeship, but he is not likely to take kindly to it if he is able, ambitious and spirited unless it does afford him good opportunities.

Listening to discussions can on occasions be interesting and instructive, but is often dull and wearisome, unavoidably so. Members in general do not spend much time in listening. The new member finds "the best club in Europe" a pleasant and friendly place, and interesting and instructive, and becoming acquainted with fellow members and getting the feel of the House itself and the several sections and types is not the least part of the training of one who aspires to play an important part in the political life of the country. But the "club" may soon pall or may become a narcotic.

The incidental work can be laborious, the correspondence and other "chores" alone can become so at times unless the member can afford a secretary to take it largely off his hands. The expectations of constituents that he should speak at this meeting and that and do this and the other are likely to be heavy. And however much may be attempted towards reducing the expenses of members the requests for support or help from one quarter and another will probably be many, unless the member can put up a stiff negative front. A much stronger puritan spirit needs to be cultivated among constituents in these matters, a truer democratic outlook: mere appeals by party associations are not likely to accomplish much, and pathetic resolutions even less, though both are to the good.

We are fast professionalising the job of a member of parliament, much less by payment of a salary than by piling up his labours, within and without parliament. Time was within living memory when a man found little difficulty in riding an active career in parliament as well as in business. He can still do so, but usually with more difficulty unless his business does not make much demand on his time or much of it can be done during attendance at the House and he manages to keep clear of most of the work of parliament which is done outside sittings of the whole House.

Prestige of Parliament

The prestige of membership has gone down. This, again, is largely matter of impression and therefore very liable to error, but

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most persons would probably agree. It has gone down partly because the country, and parliament itself, has become more democratic: there is less class distinction. Partly also because there is so much more parliamentary work, with a large proportion raising no big general issues. Any person who attends an ordinary debate is little likely to be much impressed by it itself unless he be very innocent.

It is notable that the prestige of parliament has definitely risen since the outbreak of war. Much of this is because the times are so grave, but a great deal is probably due to the fact that so large a part of the time is now taken up by issues of great moment.

Whatever be the measure of the decline in the prestige of parliament itself, its fall relative to other activities is much greater. If a young man is attracted by opportunities of fame or of standing, much more if by prospects of high income or of quick rise, he finds tempting sirens beckoning him towards an industrial, commercial or professional career, even if he has a leaning for parliamentary service. An obvious indication of the higher prestige of these activities is provided by the honours lists. The service of the community, the work of government, has much stronger competitors for the young man of ability and ambition. It is high time that this fact were more realised. It may become, perhaps has already become in some measure, of serious import for the future success of democracy. It is not that young men of high calibre are not needed for these other services, but that government needs to attract its fair share.

The Labour Party

There is a good deal to the credit of the Labour Party. The average of its members is good, though some of them may not shine very brightly in debates, but in this it is not singular. Experience in a highly responsible post in a trade union or similar body should provide an excellent ground for training in some aspects of statesmanship (though not in some others), and especially for that practical knowledge of human nature which is one of the principal requirements of a good Minister.

But even an ardent supporter would have to admit, if candid and impartial, that it has not been conspicuous for introducing to parliament men of high exceptional ability. Very good pedestrian craftsmen in the art of government, yes; but few of brilliance: there have been exceptions. It was a little unfortunate that on the two occasions when the party attained power it had as leader, and the country as Prime Minister, one who seemed at the time ill-fitted, for a man of parts, by temperament and general make-up of mind for high executive office.

In particular there has been little encouragement of young men;

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but rather a cult of seniority. The very youth of the party itself may in some measure account for this, though there are other more obvious reasons.

This respect for seniority, however, is not a monopoly of the Labour Party. It prevails among the people in general; we should not be misled by the noise made by the young bloods of literature. It is partly a respect for experience, partly an obeisance to those who have rendered long service. These are democratic qualities in contrast to the aristocratic principle of class, with some more readiness to recognise native endowment.

With these goes some confusion of the meaning and application of the doctrine that all men are equal, and a consequent suspicion of any definite recognition that some men are far more endowed than others by nature, a fear of selling the pass by admitting a new aristocracy. Instances can readily be quoted to the contrary where persons and bodies of pronounced democratic creed have expressed the opposite in word and deed. But if the position be probed deeply enough it will probably be found that these notions hold a strong implicit place in the thoughts of many men.

Any way, it is certain that the progress of democracy depends much on recognition of this aristocracy of nature in the several fields of endeavour and on enlisting it for the service of the community.

Looking ahead, there is a real danger in the cult of seniority. The British are becoming an older people, and the like is true of other democracies. The proportion of elderly persons is becoming larger and larger. There is some risk of a gerontocracy, and even of government by the elderly for the elderly. If this matured the prospect would be dismal, it would spell doom if continued, for a country survives only if it lives for the future no less than for the present. Some American writers have thought to see a portent in the wild campaign of a few years ago for pensions at age fifty. There is no cause for alarm—provided the danger be recognised and definite measures taken to provide against it. The elderly have somehow to be kept young and to be led to think more of the future than of the present, even though most of the years are behind them; and some day there may be a new turn of the wheel, a new outlook be developed and more babies be born.

The Top Hundredth

I have hitherto written of the top tenth, using that term as a broad indication, not as an exact classification. There is a problem equally important, perhaps even more, that of the top hundredth, the top thousandth might be more correct, the real geniuses. Apparently



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there are not geniuses in general but only for particular aptitudes, as for mathematics or music, to mention but two where the singularity of the quality is very manifest. The highest grade of geniuses seem to be very rare indeed, such as Newton in physics, Napoleon in war, perhaps the elder Pitt in statesmanship, but those who possess some measure of the divine spark occur much more frequently, though even then rare, how frequently cannot be even guessed because no systematic and comprehensive endeavour has been made to find out.

One of the greatest boons for which a people can pray, especially when sorely beset by trials, is to discover such a star, or a galaxy of them, to which they can hitch their waggon, but even then by no means blindly, though the boon will avail them little unless they have grit and skill enough to remain in the waggon, and the journey is likely to be rough.

In such times of dire travail, the people may be willing enough to recognise the boon, and to bend will and effort to its behests and counsel, even to regard it as indispensable. But the leader of genius can be of invaluable service in peace as well as in war, though it does not follow that the genius for the one will also be so for the other. It will handsomely repay the community to watch out for such men and to harness them to its service.

To some this may seem suspiciously akin to the leadership principle of the Nazi Party, and might be carried to the extreme and bitter end of its crude doctrine. It is not so, and there are devils as well as saints of genius. The safeguard lies in strictly maintaining the representative principle, the genius and exceptional man as servant, not as master. There is no question of departing at all from our accepted ways of government but of fulfilling them to better purpose. The representative principle is a safeguard and a boon only so far as the people is sensible, and it can easily go astray. More needs to be done to reduce this risk, but that is another story.

So also is that of the measures required for remedying the failings and meeting the needs which have been mentioned in the course of this article. Among them should be raising the prestige of parliament, more systematic search for men exceptionally well qualified for serving the public in parliament and as ministers, and more systematic measures for enlisting their services.

There is no question of undesirable curtailing of liberties under the guise of planning or other specious title or of smothering individual personality under a blanket of state regulation. It is a matter of introducing into our ways of government some degree of method to match the conditions and needs of the times which we have now reached.

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GROUPING OF MINISTRIES

There are two other matters to which I should like again to refer very briefly, both of them dealt with in my previous article. I then urged that there was need of more co-ordination between Ministries, and that systematic measures were required for providing it, and suggested for this purpose that the several Ministries should be organised into a few groups, according to their affinities, with a Minister-in-Chief over each group.

Happenings in the meantime have tremendously strengthened the case. The air is full of complaints that the departments do not work nearly enough together: this is putting it mildly. A liberal discount can be taken off the complaints, and some conflicts are almost inevitable at a hectic time like the present unless an unprofitable expenditure in men and money be undertaken to prevent them. Perfection is by no means always worth the price. But allowing for these, there is much that could be better arranged. The fault lies less in men than in organisation.

Moreover, the defects which are most likely to come to the notice of the general public are those in day-to-day administration. These are bad enough if they can be reasonably avoided. But the most costly penalty of want of co-ordination is not in these but in the losses and misdirection of effort which happens when the broad policies of different departments are not properly harmonised in the interests of the country as a whole, and this can easily escape notice, like many other matters of most importance.

I am not, however, basing my case on occurrences during the months of war. I advocated the change when the country was still blessed with peace. Nor, as said before, have I particularly in mind the controversy which breaks out from time to time, like a suppressed sore, about a Ministry of Production. Since the war broke in fury on this country, it has passed from crisis to crisis. It may be that for this reason or for reasons of personalities or some other the disturbance which would be caused by the establishment of a Ministry of Production has made it inexpedient. More would need to be known about the inside of affairs to justify a firm opinion. Be that as it may, there is probably a large body of agreement that it would have been well if such a Ministry had been established when the country decided on a vigorous policy of re-armament, or at any rate in the early months of the war, though the failing of the country during those months went much deeper than that. It would have been an important step in co-ordination.

The fact is that our ministerial organisation is out of date. We are trying to do a twentieth century job with a nineteenth century

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machine. The work of government has grown more than that of any of the big private concerns, but government has shown much less flexibility in the organisation of its top direction.

With the large expansion in the functions of government departments, they have come to touch each other more and more closely. There are, too, more specialist departments, each dealing with some particular function, and the demand is for many more of them. A specialist department has its advantages, but it can easily become a public danger, if its policies are not properly correlated with those of other departments. It enjoys the like advantages and suffers from the like infirmities as the individual specialist, and those should by now be fairly well known.

The one cure is to bring the departments which are closely related under one umbrella, leaving each its own hat for its own particular cover—a Minister-in-Chief over the group for big matters of common policy and for ensuring co-ordination, with a Minister over each constituent department for its own concerns.

The war has also brought into stronger relief other gains which should have been sufficiently clear even in the less disturbed days of peace. It has emphasised the necessity, the urgency, of an organisation which will automatically (automatically needs to be stressed) relieve the Prime Minister: that should require no argument. Likewise the need of a small cabinet, small in fact as well as in name, instead of a numerous conference. A cabinet free enough to devote its attention to the thorough consideration of big matters of state, and usually not troubled with questions such as should be settled by a Minister-in-Chief with the Ministers under his general oversight. And two other incidental advantages of almost equal rank—firstly, the provision in the Ministers-in-Chief of a class of office where prospective candidates for the premiership could be well tried out, and it is unsafe to back any candidate for a post of this responsibility, a responsibility likely to grow, until he has been as thoroughly tested as opportunities permit: secondly, opening wider the doors for the appointment as Ministers of men of high promise while still in their younger years, because they would first serve under a Minister-in-Chief.

These are not the only changes required in the higher direction of government, but they are among the most important.

THE COMMITTEE VIRUS

The committee disease also has spread since the last article was written until it has become an epidemic. It would be instructive to know the total number of committees now in being, including

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brethren like unto them, councils, boards, commissions and the rest, whether formal or informal, executive or consultative or advisory, composed of outsiders, outsiders and officials, or officials alone. Democracies have an excusable weakness for committees, like a man who falls into a splutter at the slightest check. It is a weakness to be watched.

Many bodies of the kind are inevitable in government business; that is one reason for not appointing more of them than genuinely necessary. The Prime Minister might add to his memorandum on the writing of plain English another on committees and the like, directing that not another should be appointed unless there is a cast-iron case for it, and that the list of those now existing be scrutinised and any which have not justified themselves be ended.

As said, many committees are unavoidable, especially at a time like the present, but on occasions they are the refuge of weakness, of timidity, of uncertainty, or of excessive pressure of work because of bad allocation. The drain on the man-power of the country is far too severe in these days to permit the waste of effort and time which usually occurs in the proceedings of committees, unless the committee is unavoidable.

We should not disdain to take a tip from our enemy. There is no reason, as old General Booth said, why the devil should have all the best tunes, when taken to task for allowing the Salvation Army to sing a hymn to the air of a popular music-hall song. Their iniquities should not blind us to the fact that the Nazis have accomplished great things, before the war and during it. One reason among several is their thorough application of the principle of leadership, from the Führer right down to the lowly "corporal," for the system is essentially that of the army except that party leaders act more on their own and with less detailed accountability; there are reasons of development for these differences. It is not the principle that is wrong so much as its irresponsibility, except to the almighty dictator at the top.

But there is really no reason why we should have to go to the Nazis for the lesson. We have it on our own hearth, and that with the saving grace of public responsibility. It is true that the Prime Minister is first among equals, but he is very much first if he rises to the measure of his office. It is to him that the people look, and they like a strong leader; they have really little respect for a Prime Minister or a Minister who shilly-shallies.

When supported by a sound majority the Prime Minister is the strongest leader among the democracies, stronger even than the President of the United States, unless the latter is backed by substantial and stable majorities in both Houses of Congress, and that

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is not usually the case. One of the weaknesses of our local government is that the principle has not found a sufficient lodgment in the practice of local authorities. (Incidentally, the foregoing remarks about committees do not apply, as they stand, to the executive committees of local authorities; they are not wholly without application in this field, but these committees would have to be specially considered.)

There is need, of course, to consult outside interests. I should be the last to whittle away the importance of doing so; in my limited sphere I was the means of much extending the practice, and have said that big associations representative of important outside interests, professional as well as those of local authorities, industries and many others, have become in effect a part of the machinery of government, so much are they now consulted as a matter of course.

But whereas formal consultation is necessary from time to time, every practical administrator knows full well that, where it will serve the purpose, informal consultation is much the better, with persons of knowledge and authority and able to speak for the particular interests concerned, persons with whom one can get to the confidential heart of the subject (on both sides, this is important) instead of, perhaps, playing about the surface or probing only a little below it.

Bentham, with a wit which he did not often display, said that a board was a screen. He might have added that more often than not a committee is a creature which does a lot of nibbling and takes a long time about it, but usually does not thoroughly digest much. If a job has to be done, especially if it has to be done quickly, be the urgency of war or of peace, there is usually but one wise counsel—find the right man, tell him precisely what is wanted, let him consult whom he will, but do not clutter him with committees or councils or any of the like or in any way weaken his personal sense of responsibility if you want him to deliver the best that is in him.

Budget Planning: A Comment

By JOAN ROBINSON, M.A.

SIR GWILYM GIBBON'S comments on Professor Holcombe's exposition of "Financial Planning"¹ provide an instructive example of the bewilderment and even incredulity which the doctrines of the New Deal provoke in a mind trained in the old canons of sound finance. This bewilderment arises from complete blindness to the background against which the new doctrines are set. The background is briefly this: a system of private enterprise, under *laissez-faire* conditions, falls from time to time into a deep slump, while even in its prosperous years it leaves a wide margin of unemployed productive capacity. In such a situation, a budget deficit increases prosperity. For the unemployment (of capital and land as well as of labour) is caused by a shrinkage in the stream of purchasing power, which narrows all markets and makes profitable enterprise impossible. A deficit generates purchasing power, for a deficit arises when the Government is paying out incomes to individuals, free to be spent in the market, in excess of the sums it is recovering out of income by taxation. A deficit becomes inflationary only when all productive resources are in use, so that additional purchasing power cannot call forth additional output, and exhausts itself in raising prices. A deficit is therefore beneficial to society whenever actual output falls short of its potential maximum.

Sir Gwilym Gibbon, in his references to 1931, shows that he naively accepts the propaganda of that time, and attributes disaster

¹ "Budget Planning," by Sir Gwilym Gibbon, C.B., C.B.E., D.Sc., PUBLIC ADMINISTRATION, July-September, 1941. A review of "Public Administration Review," Vol. I, No. 3, containing an article by Prof. A. W. Holcombe on "Over-all Financial Planning through the Bureau of the Budget."

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to excessive dole payments. But he says nothing of the disaster of 1932, when a crack-brained economy campaign sent the unemployment figures bounding upwards, and, incidentally, contributed to the success of Hitler, who had nothing constructive to offer the world except his disbelief in the maxims of sound finance.

The policy of using the budget as a corrective to the vagaries of a *laissez-faire* economy is not a complete rational system. Like *laissez-faire* itself (which was never a complete rational system except in the rationalisations of the economics text-books), it develops empirically under the pressure of events. The budget is a weapon which happens to be to hand, and the authorities can take it up and use it to combat the slump.

The prospect of continuous deficits, with an ever-accumulating national debt, is certainly disconcerting. But if private enterprise chronically fails to ensure the utilisation of our real resources to meet our real needs, if the years of prosperity in which we can afford a sinking fund never come, it is private enterprise that stands condemned, and the correct policy cannot be to return to sound finance and a perpetual slump.

At the same time Sir Gwilym Gibbon's point of view brings to light a genuine dilemma. In slump conditions any expenditure is better than none. But wise expenditure is better than foolish. The aim is not merely to employ idle resources on something or other, but to employ them as productively and efficiently as possible. Now, Treasury officials are simple souls. In the past they have been brought up to believe that spending money is a Bad Thing, and so they have constituted a fine sieve through which all schemes of expenditure have had to be forced. They provided some kind of guarantee that wiser expenditure should take precedence over less wise. If they learn now that expenditure is a Good Thing, the sieve is damaged, and no guarantee remains that whatever sums are spent shall be spent to the best advantage. The new policy of "financial planning" demands a higher standard of sophistication and a higher standard of integrity, from the administration which carries it out, than the old policy of the fine sieve, and the problem before the New Dealers is to raise up a generation of administrators equal to the tasks which will be laid upon them.

NOTE BY SIR GWILYM GIBBON

I am glad that Mrs. Robinson has been moved to make her comments. I do really know something of the New Deal, its ideas and aims, its measures and (not least important) of its results. I am not an opponent but a friendly critic. If other matters pressed less,

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I might have been glad to have indulged in a discussion on the use of public monies to redress economic depression or to reduce inequalities in the distribution of incomes. My attitude would by no means have been just negative. But my review was not concerned with either of these matters but with, firstly, the possibility of living on a budget of indefinitely recurring deficits (even Micawber might not have been happy on an income of 20s. and an expenditure of 20s. 6d. had he not been confident that somehow, somewhen, that absurd 6d. would turn up); secondly, the expediency of a controller of the public purse who, as controller, is out "to implement democracy," to use that sonorous but lamentably vague slogan. These are two plain issues—well, comparatively plain, though some experience of financial administration may be desirable to appreciate the full implications of the second.

I. G. G.

A Practical View of Rating Reform

By D. M. LEECH, P.A.S.I., A.A.I.

Chief Valuation Officer, County Borough of Grimsby

HAVING read "An Economic View of Rating Reform" in the July-September issue of this publication, I have been prompted, firstly, to take the liberty of commenting thereon, and, secondly, to make a further suggestion for that reform which seems so desirable.

I

The regressive element in rating seems to be of doubtful magnitude and the fact that "it falls with particular intensity on people with large families"—presumably because they need larger houses—and that "a larger proportion of a poor man's income has to be devoted to paying rates than of a rich man's" would appear to some extent equitable in that the poor man and the man with the large family derive the most benefit. They each enjoy greater benefit from education, housing, public health and similar services than that received by the rich man or the man with no family.

Variation in the rate burden depends to a large extent upon the policies of the local elected councillors. This local autonomy presumably is given to the citizens of every town because it is considered that they know what is best for their common good. There is a certain amount of interference from national administration, and also there are economic factors of trade conditions, etc., which impose burdens upon the ratepayer in addition to those he assumed through the medium of his elected representatives. That the variation in rate burden is largely influenced locally means that comparison between the burdens of different areas can only be made

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on the basis of rates paid per head, and much less reliable and more misleading indices are those of rateable values per head or rate poundages.

Apparently the cry for reform reached its loudest in the "crisis" precipitated by the decision to value new houses for the 1939 Revaluation on the basis of the rents which were then being paid for such houses, it being the opinion of the Central Valuation Committee that such rents were not "scarcity rents." The resulting postponement seemed, however, to have more political significance than that of doubt as to rents being a measure of gross value for that class of property.

The question as to whether these so-called "scarcity rents" are the basis of assessment is one which will have to be decided so long as the present system is in force and, in deciding the question, it seems that one has to decide whether gross value measures the ability to pay of the occupier, or whether it represents the balance point of supply and demand. If it represents ability to pay then it is a form of income tax, and an income tax method of assessment should be adopted such as percentage of income plus or minus for dependants, etc., giving assessable value. This has obviously not been the intention of rating legislation, and gross value must be a measure of the ratio of supply and demand. Unfortunately, this ratio for old and new houses has been upset and made artificial by Government subsidy. It is necessary, then, to know whether it was the intention of the subsidising legislature that the artificial ratio created was to be ignored, in which case rents paid for even 1 per cent. only of the new houses would be the basis of gross value, or whether it contemplated some form of differential treatment, or whether it ever contemplated at all. If differential treatment is to be given where the demand exceeds supply then a similar adjustment must logically be made where the supply exceeds the demand. If the "scarcity" of rents is a factor then "surplusage" of rents is equally a factor and the rents paid for superfluous old-fashioned houses should be written up if the rents for new houses are to be written down. Before this war there was no shortage of living accommodation, but there was a shortage of houses of a certain type, the modern dwelling house, because people preferred to live in that class of house. If there is preference there is demand, and an increased value for which people should pay by proportionately higher rateable value. That controlled rents should have been used as a basis was a totally wrong procedure by virtue of *Poplar v. Roberts*, which establishes that artificial conditions brought about by control should be ignored. Should not artificial conditions brought about by subsidised development then be ignored?

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If there is to be the same extent of housing development after this war, then it is suggested that at the same time builders should be subsidised to demolish where possible all houses that have been empty five years or more and new buildings should be erected on old sites. It seems useless to build new houses to empty old houses unless something can be done with the old houses, for, in such circumstances, increased rateable value would be offset by void allowances.

The psychological benefit of owner occupation cannot be doubted, but it does not expose the worker to unbearable increases of the rate burden where that worker has been modest in his requirements and prudent in allowing himself a margin of income over expenditure for such contingencies. The relative under-valuation of the smaller incomer owner-occupiers unfortunately existed for so long that family budgeting had been firmly fixed on that basis, and any drastic increases in expenditure in the case of owners of new property was expected to involve embarrassing hardship. They would have had to forego the luxuries they had come to expect; that low assessments of new houses subsidised, amongst others, the motor-car industry cannot be doubted.

Building development fostered by subsidy certainly causes loss to the pre-existing landlords and owner-occupiers, but this loss should be relieved by reduced rates caused by increased rateable values and by the new properties bearing, by correct assessment, their fair share of the rate burden. "There would be after the war an exceptionally large number of families who would like to move to better accommodation if they can get it at the same price as the old" is a statement which is always true, but why should a better article for which there is greater demand cost only as much as an inferior article? Comparing new houses with old houses at the present time the better article is being obtained for less than the inferior article in many instances.

Why are there demands to jettison the rating system? Chiefly, as before stated, because there seems to be no way out of the difficulties arising from increasing the assessments of new houses. That these increases could have been made without hardship in normal times seems to be established by the present level of income tax, and one might consider that they should be brought about if, and when, the present income tax burden is reduced. The retarding effect on building of this increase would be detrimental to the interests of the community unless legislation compelled all newly erected houses to be rented with an option to purchase after, say, five years, during which time a re-valuation could be made. In this way there would

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be ample rental evidence on which to base assessments, and there could be no "scarcity" rents to embarrass rating authorities.

Establishing central control over valuation machinery is a reform which has obvious advantages, and, if adopted, it might well be supported by legislation prescribing that one rental value only should be determined which would be the basis of assessment to local rates, the basis for Schedule A income tax and thus war damage contributions, and, where rental value is required, the basis of all capital valuations for compulsory purchase, probate, mortgage, etc., etc. It is not necessary for many different authorities to make many different estimates of rental value and obtain many different answers.

Substitution of selling prices for rental values appears to have many of the pitfalls found in estimating gross value. Leasehold prices vary according to the number of years unexpired, but presumably would have to be ignored or adjusted to find the value for perpetuity comparative to the actual value for a certain number of years. One would still find apparently identical houses selling at different prices, and it would then be necessary to determine the selling price which might reasonably be expected to be received by a "hypothetical vendor." Again, there can be no doubt that rating based on selling price would encourage "jerry building," for the cheaper the house the less the rates. One would also experience difficulty in assessing houses which are never sold, such as council houses, and the same problems regarding undertakings, etc., would arise as at present. Assessment of licensed premises would also be a thorny problem.

A national rate in addition to the local rate must have, for it to be equitable, absolute uniformity in the basis of assessment. This uniformity is equally essential under the present system both for Government grants and county rate, and it is submitted that the lack of uniformity and the apparent inability to obtain it provides difficulties which, if they were resolved, would do away with the need for reform in any other direction. It is submitted that complete uniformity on a national basis is virtually impossible of achievement, and even on a county basis it is so elusive as to be almost non-existent. It requires that every ratepayer shall be satisfied that his assessment is strictly comparable with that of everyone else, and thus must be a task which is beyond attainment.

II

It is suggested, therefore, that uniformity should be confined within the limits of the area of each individual council, either urban, rural, or county borough. In this way local councils can pursue

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their own policies, and if one authority chooses correct assessments and low poundages and another chooses low assessments and high poundages, they can go their own ways. To the ratepayer correct assessments and low poundages is the same as the reverse, he is only concerned with the amount he has to pay and how that amount compares with his fellow townsfolk. If each area were free to fix its own level of values and had not to worry about achieving uniformity with neighbouring areas, then lowly assessed districts would not be upset by proposals to increase from another authority and a happier state of affairs would exist altogether. The task of satisfying all the ratepayers in one area is difficult enough, but it is more likely to be achieved than the nation-wide standard which is the present aim.

If uniformity between areas is ignored then the work of county valuation departments would seem to be confined to inter-parochial undertakings and special properties. More important still is the fact that another system would have to be found on which to base block grants and county rate precepts.

In the case of block grants absence of uniformity would necessitate changing the basis of calculation from rateable value per head to that of rate paid per head. As already stated, the amount of his demand note is what matters most to the ratepayer, and as this depends to a large extent upon local spending policy and local needs, the rates paid per head are more truly indicative of the burden he has to bear. In addition, heavy expenditure on items such as public assistance, etc., are not reflected in a figure of rateable value per head, but they certainly are in a rates per head figure. The substitution of the rateable value basis would involve an adjustment in the method of calculating the rates factor with which to weight the population. Briefly, the present formula, as is well known, takes £10 rateable value per head as its basic figure from which the actual value per head is deducted, and the balance expressed as a percentage of £10. The population is multiplied by this percentage and weighted accordingly. It is also equally well known that by this method the higher the rateable value per head the less the grant, other factors being equal.

It is proposed to deal in rates paid and not rateable values: thus £10 would no longer be the basic figure. To find such a figure it is suggested that a reasonable rate poundage is 10s. in the £, and, therefore, an index figure for rates paid comparable with the rateable value index of £10 would be £5.

If this substitution is made and examples worked out, it is found that, following the method of the existing formula, the higher the rates per head the less the grant. This is considered to be wrong, and the present method should be reversed. The actual rates per

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head should be expressed as a percentage of £5, with the result that the higher the rates paid per head the higher would be the amount of the grant. This would not be in the interests of national economy, however, and it would be necessary to limit the basis of rates per head in the calculation to the amounts paid for essential services. Thus would be eliminated grants on rates paid to satisfy any excessive zeal and civic pride of the local electorate.

An immediately apparent advantage is that the higher the expenditure on public assistance or air raid precautions, for instance, the more would be the grant. Expenditure on essential services could be checked by the Government fixing a maximum amount per head that could be spent without Government authority. Another advantage of the method is that two towns having the same population and the same expenditure would have their populations weighted to the same extent, and a lowly assessed town would not benefit at the expense of a correctly assessed town.

The fact that the present system of grants came into existence after the 1925 Act and thereby aggravated lack of uniformity does not mean that the principles of rating are wrong, but rather it should mean that the system of calculating grants is wrong.

It would also be necessary to adopt a new system for the purposes of the county rate precept. One method would be to apportion the county levy on the basis of the weighted population as ascertained for grant purposes. Another might be to levy the county rate on the rates per head basis instead of the present rateable value basis. In either case it would appear that the rate burden would be distributed more evenly and more individually than under the present conditions.

There can never be unanimity of opinion under the present law as to what is the basis of uniformity even among professional valuers, and the preamble to the 1925 Act says that it is an Act "to promote uniformity" not, as might be expected, to "obtain" uniformity. It might, therefore, appear that even the legislators realised that uniformity could be sought after but not achieved.

The present machinery of rating is not unworkable, but it has suffered, and is suffering, from the unskilled hands of men who are not rating valuers nor even valuers, while in a large number of areas the rating organisation established is hopelessly inadequate and unqualified for the importance of the work.

That a practicable alternative improved structure can be found is extremely doubtful, and it is much safer to rebuild on the old, firm foundations, reinforced as they have been from time to time by decisions of the Courts of Law. A new system would mean more legal decisions, more case law, more uncertainty, all of which we might well be spared. Besides, why sacrifice the labour of 340 years?

Poland's Economic Development, 1919-1939

By GESTOR

IN order to understand the course and effects of Poland's economic development during the twenty years between the two world wars, some understanding must first be gained of the economic situation of Polish lands before the first world war, *i.e.*, before 1914.

When the Commonwealth of Poland lost its political independence as the result of the partitions at the end of the eighteenth century, apart from a short period during the Napoleonic wars, she was rendered not only politically but economically dependent on the three annexationist Powers—Russia, Prussia and Austria. These three States each pursued a very distinctive economic policy, and possessed different aims, as well as different possibilities of realising those aims. But so far as the Polish lands over which each of them had political rule were concerned, the economic policy of the Tsarist Government at St. Petersburg, and the Prussian Government at Berlin, and the Austrian Government at Vienna had one common feature. They all were completely uninterested in raising the living standards of the Polish population belonging to the respective Powers, while on the other hand they were anxious to exploit the Polish people, as a nation foreign to the ruling nation, to the utmost possible extent. In consequence each of the three areas into which Poland was divided not only had very different development one from another, but moreover they developed only as an indirect consequence of the economic development of Russia, Germany or Austria.

Necessarily, therefore, this period of political dependence, which, with very brief intervals, lasted some 125 years, involved a number

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of consequences for the Polish national territory as a whole. The lack of interest in raising the living standards of Polish people, which was common to Berlin, St. Petersburg and Vienna, was bound to leave the Polish lands in an economically backward condition, at least by comparison with the neighbouring lands of Prussia and Austria. As for Russia, the Tsarist Government had difficulties to contend with in the economic development of the entire State, at least until the last few years before 1914. And even if in certain areas certain spheres of economy had comparatively greater development (for instance, agriculture in the Prussian area or manufacturing industry in the Russian area, and heavy industry in Upper Silesia) the development was achieved primarily in order to meet the needs of the ruling country, and not out of regard for the economic development of the lands themselves and the existential needs of their inhabitants.

The Silesian industry under Prussian rule developed primarily on the basis of cheap Polish labour power, and for this reason did the area, which is situated geographically right on the periphery of true Prussia and Germany, have a great temporary development, until it was outdistanced by the Ruhr, an area much more convenient for German interests. The manufacturing industry of the Russian area of Poland, and the great textile centre of Lodz in particular, was not organised with a view to disposal of its manufactures in Polish areas, but primarily in the European and Asiatic areas of the Russian Empire. Austria-Hungary centred its industrial development in the Czech-Moravian area (in 1918 Czechoslovakia was able to inherit a comparatively profitable economic organisation) and was almost completely uninterested in the development of the Polish areas under its rule, situated on the edge of the Habsburg Empire and adjacent with the Russian frontier.

The natural consequence of this state of affairs was that the Polish lands profited only to a very small degree from the great development of European capitalistic economy during the nineteenth century, even though this development occurred in territories in close proximity to Poland. This fact caused a fundamental disproportion, which afterwards constituted (and still constitutes) Poland's chief economic weakness. For Poland has a density of population equal to that of many countries of Western Europe. Even in 1870 there were over 112 inhabitants to every square mile, and at the time of the re-emergence of the Polish State in 1918 there were some 180 inhabitants. Yet the country's development in production, which had occurred, as we have said, "in the shade" of the economic development of the Partitioning Powers, completely failed to keep pace with the natural increase in population. The phenomenon of

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"relative over-population," and therefore of inadequately developed production forces in relation to the population, which thus arose, weighed heavily on Poland's economic development during the period from 1919 to 1939. And this factor was aggravated by the fact that the sole palliative existing before the 1914-18 war, *i.e.*, emigration, chiefly overseas, was almost completely eliminated as the result of the tightening up of immigration policy in the United States in 1924.

The Polish lands, thrust into three separate economic organisms, had no chance of making any wider economic contact with the outside world. Their foreign trade was confined mainly to their respective Partitioning States, and to some extent to commerce among themselves, *i.e.*, among the three Polish areas belonging to three different countries. Calculations made after 1919 indicate that barely eight per cent. of the Polish commodity exchange during the years immediately prior to 1914 consisted of exchange "with the world," *i.e.*, with countries other than the respective annexationist State and the two other areas of divided Poland. Under the Partitioning States Poland was not only unable to develop, but she was not even allowed to develop on the basis of exchange with any third State. So it is not surprising that, as we shall see, Poland's foreign trade, which was renewed only with great difficulty and effort, conquered only a small part of the world markets.

I

The foregoing brief outline of the economic situation of Polish lands before 1914 indicates the tremendous difficulties which Poland came up against in the course of her independent economic development in 1918-19, when the period of her political dependence ended. Especially as this objectively unfavourable situation was further complicated by the great devastation caused by the war between Russia and the Germano-Austrian coalition. For a long period that war had Polish lands as its battleground. It is well known that Belgium and Northern France also suffered similarly in the last war, but, unlike these two countries, Poland received no effective reparations from the defeated Germans. For the Versailles Treaty provided that those investments which the German Government had made in Polish territory formerly under German rule were to be regarded as reparations, when, by virtue of the Treaty's territorial provisions, Germany was compelled to return that territory to reborn Poland. Therefore, at the very beginning of its existence Polish economy had not only to overcome the fundamental difficulties arising from Poland's many years of economic dependence upon foreign economic organisms, but also the most burning questions of post-war reconstruction.

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We cannot give any special consideration to this first period of the newly born Polish economy, although from the viewpoint of economic theory it would be worthy of detailed study. At a moment when not only Poland but the majority of European countries find themselves under German brutal hegemony, which, just as happened all through the nineteenth century in regard to Poland, is changing the normal trends of economic development in those countries, one feature in the Polish experience of 1919-20 is important: during the period immediately following the catastrophe it is not sufficient to provide assistance in meeting the needs of the starving and ruined people, but thought must be given at once to the problem of the sound renewal of the former bonds linking the economy of the occupied country with the rest of the world, and the restoration of its normal production. During the first few years of its renewed State existence Poland received no help of this kind whatever. The frontiers were not definitely fixed, the plebiscite in Upper Silesia and the attachment of part of this area to Poland occurred only in 1922, and the peace treaty with the Soviet Union was signed in 1921. During the years 1914-18 the German occupation stripped Poland not only of all her stocks of raw materials, but also of a very large part of her means of production. By way of example it may be mentioned that the Germans carried off to their own country not only much machinery and plant, but even such items as transmission belts. In the sphere of import of raw materials and production goods everything had to be built from the foundations; social legislation, which was almost non-existent under the occupant powers, had to be drawn up and put into force, food supplies and the internal market organised, export put on an organised basis, etc. The unregulated economic conditions which existed on the European continent at that time, and the absence of all organic help from abroad were bound to entail the phenomenon, universal on the continent at that time, of currency inflation. In few words, the beginnings of economic reconstruction in Poland proceeded in exceptionally difficult conditions.

Among those difficulties the question of relations with the newly reorganised economic organisms of Poland's two neighbours, the U.S.S.R. on the east and Germany on the west, was of particular importance. Polish-Soviet relations, which politically had been regulated by the Riga Peace Treaty of March, 1921, did not bring the very desirable development of exchange relations which Poland wished. This was by no means due to any political consideration, but was the consequence of the Soviet monopoly of foreign trade and "social" autarky, regarded by the leaders of the Soviet State as the foundation of the existence of Socialistic economy in Russia. Because of this policy those Polish industries which had found an

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extensive market for their products in Russian areas prior to 1914, were placed in an extremely difficult position, and great efforts were necessary in order to restore them to an equilibrium.

Yet the German question was far more important. During the early years after the peace, Weimar (republican) Germany's economic policy in regard to Poland had as its basic object the attempt to destroy the new Polish State economically, since after 1918 Germany was, of course, too weak to attempt to destroy Poland politically. During the years 1919-1921, despite a superficially correct attitude to Poland the Berlin Government applied a system of export restrictions in regard to Germany's new neighbour; in other words, a ban was placed on the export from Germany to Poland of almost all the most necessary commodities. What has been said above of the economic situation of Poland after the war has to be recalled in this connection: namely, that there was a complete destruction in the field of investment, there was a commodity famine, a shortage of raw materials, and so on. On the Soviet side Poland suffered not so much from political unfriendliness as from the consequences of a generally applied Soviet autarky. So it was natural that Poland should have been largely dependent upon her nearest neighbour in the west, not only in regard to imports but also in respect of exports of commodities. But Germany tried to exploit this dependence for the political ends of crushing the undesirable neighbour, by depriving her of many supplies and hindering transit traffic. None the less, during the years 1921-23 Poland had to depend on the German market for between 40 and 50 per cent. of her foreign trade. A further 20 to 30 per cent. was with her two nearest neighbours in Central Europe, Czechoslovakia and Austria. During its first few years of existence Polish economy received only 30 to 33 per cent. of all its imports from Western Europe and overseas, while exports to the same countries accounted for only between 11 and 18 per cent. of the total exports. The Polish areas continued to be shut up in the cauldron of Central-Eastern Europe, with the wall of Soviet social autarky on the east and the hostile Germans on the west.

II

None the less, as the result of intensive organisational work, the first outlines of the new configuration of Polish economy unified from the three partitioned areas began to take shape after a few years. Yet the difficulties with which it was confronted were enormous. Particular spheres of production which for years had worked within and for quite different economic organisms had to be concentrated, first, on the internal Polish market, and then their possibilities of com-

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peting on international markets had to be considered and decided. The restoration of plant and installations, solely by the efforts of home industry (we have already mentioned the absence of reparations) caused great devastation in its turnover capital, and during the first few years after the war foreign capital sought investments in Central-Eastern Europe only very cautiously and reluctantly. Naturally, the regulation of currency relationships was a prime prerequisite of any internal accumulation of capital. After the inflation of 1922-23 Poland made a great financial effort, creating the Bank of Poland in 1924 and replacing the marks of the German occupation period by a new currency based on the gold (zloty) standard, in which the unit was the zloty. During this period Poland pursued a road indicated by the financial policy of the Western countries, and of Great Britain first and foremost, for in 1923 Britain revalorised her currency. In this country there are many who criticise the initiators of this process as having chosen too high a rate of stabilisation for the pound sterling, but perhaps such criticisms would have even more justification in Poland, where the zloty was stabilised at the level of the Swiss franc in gold. For that matter, we have no means of judging how this exaggeratedly high rate would have reacted on the development of Polish economy, for in the following year that economy was affected by a new economic attack from Germany, in the form of a customs war.

So long as Germany was bound by the political and commercial clauses of the Versailles Treaty (the one-sided most-favoured nation clause for the Allies, etc.) she could apply to Poland only the policy of hindering supplies which has already been mentioned. When in 1924 she gained freedom of her commercial policy, her first aim was to use that liberty to turn her attentions eastward. For both in the days of Wilhelm II and in those of the Weimar Republic and Hitler's Third Reich, the foundation of the German plans for economic hegemony in Europe was always the domination of the east. First restricted in her overseas possessions, and then deprived of them, she sought colonial possessions right outside her own frontiers. Despite the fact that during Poland's first negotiations with Germany, in 1924, for a commercial treaty, and especially on the question of Upper Silesian coal, by reason of her economic weakness Poland made very great concessions, the Germans broke off the negotiations and began a customs war. This "war" took the form of hindering the export of Polish agricultural and dairy produce, and also coal. (The ban on the import of pigs from Poland into Germany was declared to be imposed for "sanitary reasons.") In pursuing this policy the Germans, and with much reason, expected that Polish economy, cut off from Western Europe, and with the barrier of the Soviet monopoly

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of foreign trade on her eastern borders, would break down in its most essential factor, its balance of payments, as the result of these German import restrictions.

Unfortunately, these expectations proved correct, yet by no means to the extent that the Germans had hoped. The loss of equilibrium in Poland's trading balance in 1925 was one of the main causes of the decline in value of the currency which had been stabilised with such difficulty. And only later, with the aid of a foreign stabilisation, was the currency again placed on a gold basis, at a rate some 40 per cent. lower than before. For that matter, as we shall see, this breakdown of the currency had especial reactions among Polish society, and during the period of the economic crisis it became impossible to take the line of currency policy followed by Great Britain and the sterling bloc. Temporarily, however, after the shock of 1925, a favourable development of the home and foreign economic situation during 1926 and 1927 restored the shaken equilibrium, both in regard to Poland's economic relations with abroad and in the sphere of development of a native Polish industry. This question calls for special consideration.

III

It was said at the beginning of this article that the most essential feature of Poland's economic organism is the "relative" over-population of her territory. The term "relative" over-population is applicable to only a few countries in the world, and so it calls for some explanation. In the spheres of agriculture and dairy farming Poland produces quite a considerable quantity of produce, which, however, is in relation to such a large numerical population (agricultural in the first place, and general consequently, for the agricultural population comprises over 60 per cent. of the country's total population) that, on the one hand, the production per head of the agricultural population is very low, while on the other, the general national income derives comparatively little benefit from this production. According to estimates made by the Polish Institute for Social Economy, the agricultural and dairy produce per head of the population was valued at some 43.76 gold dollars in 1929, whereas the corresponding figures for Canada were 167.22 dollars, Australia 154.87 dollars, New Zealand 258.11 dollars, and the United States 111.10 dollars.

It has already been said that one of the ways of dealing with the evil (a very unpleasant one, so far as the national feeling is concerned), *i.e.*, by emigration, chiefly overseas, became almost completely closed, owing to the restrictions placed on immigration by the United States in 1924. Theoretically, another method would be

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by increasing agricultural production per head through an intensification of production. But it is well known that in free international exchange such an intensification is governed by the problem of production costs. Polish soil is far from being of a low fertility. For instance, in the last few years before the war the wheat harvest averaged some 12.2 quintals a hectare, as compared with 10.6 quintals in Argentina, 8.6 quintals in the United States, 8 quintals in Australia and 6 quintals in Canada. But there is this difference, that during the same period there were 76 members of the agricultural population living on every 100 hectares of cultivated land. In consequence, Poland had an "agricultural density" which was the greatest in Europe, with the exception, possibly, of certain other Central-Eastern European countries. (In Bulgaria there were 90 members of the agricultural population to every 100 hectares of cultivated land.) On the other hand, the density of population, both rural and urban together, in the Argentina, averaged five persons per square kilometre (which is equal to 100 hectares.) In Australia it averaged one per square kilometre, and so on. In consequence the four greatest wheat producers of Central-Eastern Europe (Bulgaria, Hungary, Rumania and Yugoslavia) produced 195 kilogrammes of wheat per head of the population during the period 1930 to 1934, whereas the corresponding figure for the four "big exporters" (Canada, Argentina, United States, Australia) was 597.5 kilogrammes. And yet the yield per hectare in each of the four above-mentioned Danubian countries was 40 per cent., and even over 60 per cent. higher than that of the non-European countries.

We will not expatiate any longer on this subject, which in fact could be discussed at much greater length. We want to explain briefly why the intensification of agricultural production in Poland and countries with a similar economic structure in Central-Eastern Europe will not and cannot solve the problem of raising the agricultural production per head to the extent necessary, in order to obtain a notable rise in the population's living standards. And why, also, from the very first days of the new Polish economy, attention had to be given to the question of developing spheres of production other than agriculture, and that of industry first and foremost.

It is a very characteristic feature that often certain actions in the international field achieve quite different ends from those anticipated. We have spoken of the German customs war as an attempt to "torpedo" the young Polish economy and of how it ended only with the "wrecking" of the Polish currency, which, however, was restored the following year. But by the very circumstance that Germany refused facilities for Polish agricultural, dairy and coal exports, Poland, for her part, was able to protect herself from the

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otherwise inevitable crushing of her new industry by German industry. Moreover, she was able to break away economically from Germany, for Germany herself forced such a position upon her. Before the customs war Poland had to place her agricultural, dairy and coal surpluses on the German market, and was also almost entirely dependent upon German transit facilities and ports for her imports from Western European and overseas countries. (The chief German import towns for Poland were Hamburg, Stettin, and to a lesser extent Königsburg.) Danzig, which had been made a Free City under the Versailles Treaty, of course played a decisive role. But the policy pursued by the small German port, which was quite an insignificant one before 1914, and which if rightly chosen could have assured it a quite exceptional future as the port of a country with a large population, was poisoned from the very beginning by political venom. This German, or, to be precise, Germanised city did not understand the part it could play in Polish economy, which, like Berlin, it regarded as "seasonal." The blame for this does not lie with Danzig, which, in the political sphere, from the very beginning received its orders from Berlin. Sahm, who for many years was the President of the Senate of the "free city" ended his career as burgomaster of the German capital.

The customs war which Germany opened against Poland in 1924 made it possible to accelerate the achievement of a number of activities which, if normal conditions had existed with Germany (which Poland herself desired) would have taken much longer. Germany's action forced Poland to find a market for her exports elsewhere than in Central Europe more quickly than would probably have occurred in the normal course of events. Poland developed her import relations with Western Europe and overseas also more swiftly than would have been possible, in view of the territorial proximity of Germany and the lack of great interest in the Polish market on the part of Western Europe and the United States, if Germany had adopted a different attitude to Poland. And, finally, during this period Poland took the first steps to develop the indispensable communications outlet which she needed in view of her situation between autarkic and indifferent Soviet Russia and unfriendly Germany. In other words, she started the construction of the port of Gdynia.

In sum, therefore, despite German intentions (and to some extent in consequence of those very intentions) Polish economy not only did not break down, but during the years following the first shocks caused by the customs war took the line of a very considerable development. Naturally, the economic situation then prevailing in Europe and all over the world conduced to this end, for it led to

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Poland receiving assistance in the direction of her greatest need, namely, in the sphere of capital. Truly Poland's share (and that of the Central-Eastern European countries generally) in the total influx of capital to the European continent was not great, but it enabled Polish economy to achieve a very considerable revival. The small extent to which countries placing their surplus capital abroad were interested in Central-Eastern Europe and Poland is indicated by the fact that during the period 1924-1930 the annual nett import of capital per head of the population into all Central-Eastern Europe was about 2.27 gold dollars. For Poland the corresponding figure was 1.82 gold dollars, whereas for Germany the figure was 9.33 gold dollars, and for certain British Dominions, such as Australia and New Zealand, it was about 20 gold dollars. And yet, as has been said, this small injection of capital, together with the favourable economic situation, led to a development which can be best illustrated by citing the following index numbers:—

		1926	1929
Steel production	...	100	174
Electrical energy output	...	100	152
Workers insured in social insurance	...	100	141
Workers employed in large and medium industries	...	100	136
Railway transports	...	100	142
Sea-going vessels' movements	...	100	148
Imports (in value)	...	100	202
Exports	...	100	124
Gold reserves in the Bank of Poland	...	100	297
Income from taxation	...	100	149

As is evident from these figures, Polish economy was consolidating its position and developing successfully. But it must be emphasised that even this favourable development was not adequate to meet those fundamental needs of which we spoke in our introductory remarks. During the period 1921 to 1925 Poland had a birth rate of 34.7 thousand, and during the period 1926 to 1930 the figure was 32.2 per thousand, whereas in Great Britain the comparative figures were 20.4 and 17.2 per thousand. Although the death rate in Poland during the same periods was higher than in Great Britain (18.5 and 16.8 per thousand, as compared with 12.4 and 12.3 per thousand) it still follows from these figures that the natural increase in the Polish population was continually twice as high as that of Britain. Poland's economic development during the most favourable period of post-war economic relations was never on such an expansive scale as to reduce the accumulation of structural

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employment in agriculture, far less to give full employment to the annual influx of workers into industry and agriculture. To solve this great problem (common to Poland and all the other countries of Central-Eastern Europe, with the exception of the thinly populated Baltic countries) the free development of forces in international economy after the war was not sufficient, especially when the possibilities of emigration overseas came to an end.

IV

Yet although these fundamental structural defects existed, during the last year of the favourable world economic situation Poland's economic progress was very evident. Ignoring her basic agricultural production—which was achieving a continual improvement in quality—Poland, which at that time had a population of thirty millions, achieved a coal output of 46.2 million tons, an output of potassium salts amounting to 359,000 tons, of iron ore (with comparatively small deposits) 660,000 tons; zinc and lead ores, 374,000 tons; mineral oil, 675,000 tons (also from comparatively small deposits); rocksalt, 570,000 tons; and so on. The output of pig iron at that time was 704,000 tons; that of steel 1,438,000 tons; rolling mill output was 1,048,000 tons; zinc, 169,000 tons; lead, 37,000 tons, etc. Over 680,000 workers were employed in manufacturing industry, and over 220,000 in the raw materials industries. There were over 2,100 enterprises in the mining industries, over 2,300 in the metal-working industries, over a thousand in the chemical industries, over 2,700 in the textile industries, over 280 in the paper-making industries, over 3,400 in the timber industry, and so on. Commodity imports from abroad were just beginning to develop, and in 1928 amounted to a value of 3,362 million zlotys (about 76 million pounds).

These beginnings of normal economic development were nipped in the bud by the international economic crisis of 1930-32. Of course there is no need to expatiate on this economic disaster, which affected all countries without exception. But here we must stress the differences which the crisis caused during its height between countries possessing reserves and those which had no such reserves, and also between countries with a preponderant agricultural and raw material production and the industrial countries. It appears that the crisis had its most serious effects in agricultural and raw materials countries. The fall in agricultural and raw materials prices was definitely much greater than the fall in industrial prices, and the immediate consequence of this was that the value of exports fell to a greater extent in the case of countries producing the first two categories than in that of countries producing industrial commodities. However, in so far as any particular agricultural or primary producing

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country either possessed its own reserves (Denmark, for instance) or was directly supported by another economically stronger country (the Dutch East Indies and other semi-colonial countries, for instance) the depression had less effect on them, despite the fact that they were fundamentally agricultural or raw materials countries. On the other hand, those countries which had no basis of resistance to the crisis by reason of the nature of their predominant production, or which did not possess reserves of any kind, were placed in the most difficult situation of all. This applies first and foremost to the countries of Central-Eastern Europe and to Poland.

Nor does that exhaust the question. In addition to the usual consequences for agricultural and raw materials countries generally which arose from the crisis, Central-Eastern Europe was also affected by the shocks which arose from the "panic of capital" caused by the financial breakdown of Germany, and before that by the crisis of the Vienna Creditanstalt. This institution had been heavily involved in the economy of the Central-Eastern European countries. The panic caused by these shocks had catastrophic effects on Poland in the sphere of what was already an urgent problem, that of capital. Even in 1930 Poland's payments balance had a surplus efflux of capital, chiefly short-termed, to the value of 416 million zlotys (some 97 million pounds in gold), and owing to the sparsity of the influx of capital during the preceding period this was a great and immediate blow. The continual efflux of capital during the following years made the situation still worse. A period of currency deflation set in in Polish economy, and this greatly retarded the economic development of the country.

During the crisis Polish economic policy pursued its own course, unlike either that taken by countries with larger reserves at their disposal, or that which became the permanent course of the debtor countries of Europe and South America. Here we must recall all that has been said about the difficulties in solving the currency problem in Poland during the early period of economic development. In sum it amounted to the fact that a single generation of Poles experienced two breakdowns in currency value in the course of a few years. The result was that devaluation (for a third time) of the currency was difficult, if not quite impossible as a line of economic policy during the crisis period in the young Polish economic system. And so Poland (like the majority of the debtor countries, for that matter) could not follow the example of Great Britain and the sterling bloc in their steps to overcome the effects of the depression.

But that does not mean that Poland took the completely opposite course, the one which Germany first took, and which was followed by the majority of the Danubian States. That course consisted in

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the immediate erection of a barrier of financial restrictions against foreign countries, with the effect that each State adopted a policy of economic and financial autarky. On the contrary, Poland chose perhaps the most burdensome road of all, but she did so in the knowledge and experience that a crisis is only a temporary phenomenon, and that it was to her interests to maintain the greatest possible contact with world economy. And for this reason also, as long as possible she maintained a free financial exchange with abroad, placing restrictions on this freedom only in 1936, five years after the Danubian countries and Germany had introduced those restrictions. During all this period Poland confined herself to regulating foreign turnover by controlling imports from countries which applied financial exchange or other restrictions to her. But, unfortunately, their number grew more and more.

So far as the internal situation was concerned the above-mentioned course of economic policy had all the fatal effects of currency deflation. Industrial production in 1936 showed a decline of 36 per cent. as against that of 1928; steel production fell as much as 61 per cent.; employment in large scale and medium industry fell 36 per cent., commodity imports fell 75 per cent., and so on. The cause of this was, needless to say, nothing but the catastrophic fall in agricultural prices. In 1932 the price of grain fell to 49 per cent. of the level in 1928, and in 1935 it had fallen still further, to 33 per cent. of that level. The corresponding price levels for livestock were 44 per cent. and 35 per cent. It is not surprising that the purchasing power of the rural areas fell catastrophically, entailing the inevitable effects in industry, imports, etc.

In only one respect did the crisis not effect a decline in Polish turnover. After a slight fall in 1932 and 1933, the movements of sea-going vessels through the port of Danzig and the steadily growing port of Gdynia at once returned to their previous level, and in 1934 they considerably exceeded the pre-crisis level. Since then they have developed uninterruptedly. In 1928 1,108 vessels called at Gdynia, but in 1937 the figure was 5,766, and in 1938 6,498. From being a small German port of call for 2,983 vessels in 1913, Danzig developed until it reached the figure of 6,601 vessels in 1938. The average tonnage capacity of vessels calling at Gdynia increased by 15 per cent. in ten years, while it increased by over 100 per cent. as compared with 1913 in the case of Danzig. Polish economy had such a strong contact with the sea by the time of the crisis that not even the depression had any weakening effects.

Poland could, perhaps, have avoided such catastrophic effects of the price deflation if adequately large markets for her agricultural produce had continued to exist in that part of Europe within the

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range of her export possibilities. But that market had begun to shrink even before the crisis, so far as central Europe was concerned (Germany, Austria, Czechoslovakia), while during the crisis and in later years the restrictions were extended to other European countries also. With the exception of Great Britain, where for that matter certain restrictions were also imposed on the quantities of certain agricultural and dairy products imported, all the countries which constituted normal markets for these articles turned to a system of agricultural autarky. So far as Great Britain was concerned, this most valuable of all markets for Poland based its import restrictions on the undoubtedly objective, but for Poland exceptionally unfavourable, principle of recognising the rights of particular countries acquired in that market in former years, and therefore at a time when Polish exports were still involved in the former relations of Central Europe and serviced the British market only to a small extent. In addition to the restrictions on imports, the changes in value of various currencies in face of the unchanged value of the Polish currency in terms of gold had a fatal effect on the level of Polish agricultural prices. It was only possible to maintain the competitive power of Polish commodities on markets which had reduced the value of their currencies in terms of gold without simultaneously raising prices, by lowering the export prices of Polish commodities very considerably.

Summing up, therefore, owing to the policy chosen by Poland—a policy which could not be one of currency manipulation, while that of complete autarky was not desired—she experienced a very difficult time during the crisis. None the less there was a distinct improvement in the economic situation during the last few years prior to the war. That improvement came later than in many of the Western European countries, and came more slowly than in Germany, where a war economy situation was being forced on. But on the other hand it had healthy bases and a steady tempo of growth. Polish industrial production, which reached its lowest crisis level in 1932 (64 per cent. of the 1928 level) rose to 79 per cent. of the 1928 level in 1934, to 94 per cent. in 1936, and 119 per cent. in 1938. Steel production and transport loads surpassed the 1928 level in 1937; while in 1938 the output of electrical energy had reached 152 per cent. of the 1928 level. In the same year the value of imports was exactly 150 per cent. of the lowest level, that of the years 1932-33. Finally, and most important of all, the employment index figure once more reached the pre-crisis level, and even surpassed it.

So far as exchange relations with abroad were concerned, during the last five years before the war the almost ten years of German customs war were followed by a regulation of exchange relations with

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that country. Yet the conditions of this regulation were completely different from those in which it was attempted to reach economic understanding with Germany in the years 1921 to 1924. Of course it was necessary to establish exchange relations with Germany on the basis of a bilateral clearing of commodities on the same lines as she applied to all other countries as the result of her trading system. But the extent of the turnover and the conditions of exchange were determined by Poland herself. She now possessed other outlets for her commodities than that provided by Germany, especially as the result of the British-Polish economic agreement of 1935, and she was extending her export of processed agricultural products (tinned hams) as far as the United States, so that she was now able to base her relations with her German neighbour on the principles of full equality. And for this reason she was perhaps the sole State in Central-Eastern Europe which resisted Germany's "peaceful" method of economic penetration of the east by eliminating foreign competition with the aid of clearing agreements. Whereas Germany's share in the imports and exports of certain Danubian countries rose to 40, 50, and even 60 per cent. of their total in the last few years before the war, her share in Poland's imports and exports immediately prior to the war did not exceed 23-24 per cent. of the total, even after Austria and the Sudetenland, with which Poland had considerable exchange relations, had been annexed to the Reich.

An objective survey of the past years shows that the Polish economy, which had emerged as a single entity after over a hundred years of partitions, was able to overcome all the difficulties arising from both internal and external conditions and from the definitely political treatment of economic questions by certain of her neighbours. And she not only overcame those difficulties, but was on the road to first-rate economic development.

The German invasion put an end to that development. To-day the occupant authorities are endeavouring in every way not only to exploit the economy and the people of Poland for their own military objectives, but, as far as possible, to force out of existence all the achievements which Poland had had to her credit during the past twenty years. This they are doing in order to render Poland economically dependent on the Reich. When one observes that the occupied Polish lands are divided into "annexed" areas (*i.e.*, illegally incorporated with the Reich) and the so-called General Gouvernement, and when one studies the economic policy which is being pursued in each of these two territories, one sees clearly that the Germans are relying on the achievement of results diametrically

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opposite to those which Polish economic policy adopted as its aim.

After the war is won Poland, still more enfeebled and exhausted than she was in 1918, will return to and renew her previous development. But how outstanding that development is, and how swift its tempo, will in future be decided by one most important factor: how far the Anglo-Saxon countries become interested in the part which not only Poland but all the countries of Central-Eastern Europe have to play in world economy. The majority of Poland's economic difficulties in the past period can be ascribed to the absence of a clear conception as to the place which these countries have to occupy in the international market. And yet on that factor depends the development of every country which has resisted and continues to resist autarkic tendencies in the carrying on of its economy.

A Survey of the Economic History of Czechoslovakia After the Last War

With special emphasis on the part played by International
Trade Relations

By DR. FRANTIŠEK KRAUS

(*Czech Barrister and Doctor of Laws*)

INTRODUCTORY

THE Editor of this review expressed the wish that this article might be directed to "Civil servants who have now to turn their mind to the consideration of economic problems which will arise after the present war."

With regard to this respectable wish some general observations on the problem of economy as such would seem to be useful.

Economy, being a very recent branch of organised social activity, is not yet clearly defined. What is "economy"? It is, in our opinion, a branch of public administration. We use the term "public administration" in the broadest sense, namely, as identical with management of public affairs. The term "public affairs" means to us the whole of the citizen's relations to society. It is a body of instruments and rules which govern and administer these relations, *i.e.*, relations which are decisive, or, at least, important for the life of the citizen in society (or better to say for the life of the citizen as a conscious member of society). Roughly speaking,

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we can divide all these social activities of man in four main branches: (1) education—*i.e.*, the preparation of man for life in society; (2) civil administration—*i.e.*, the preservance of co-ordinated public order, necessary for that life; (3) social services—*i.e.*, the protection and ensurance of man's right to earn an honest living (to preserve an honest standard of life); and (4) economy—*i.e.*, the methodical and organised task to secure the smooth running of man's productive activities, that is to say the smooth running of production. Production means, in this sense, the creation of products and their distribution to the addressees, *i.e.*, to the consuming citizen. Products, therefore, are means necessary, directly and indirectly, for the preservation and advancement of man's standard of life.

The above division enables us to grasp the whole of social activity. In reality these activities are interdependent, fluid and mutually permeated. There is especially a close relationship between economy and social services, so that one speaks nowadays, and with much justification, of social economy. The establishment of this new branch of public administration will, in our opinion, finish endless disputes as to which jurisdiction such problems as unemployment or emigration and immigration properly belong.

There is not only the "social economy" which exceeds the narrow limits of "economic activities," there are "pre-economic" phenomena, such as climate and geophysical conditions.

The difficulties and strains of man's social life can be duly appreciated only if one is aware how imperfect and undeveloped in our day is the management of human activities, and how far more imperfect and undeveloped is human power over those pre-economic conditions, whose importance is more fundamental for the social life than the economic.

I.—THE PRE-ECONOMIC ELEMENTS

The pre-economic elements of Czechoslovak economic history are given first of all by the continental character of the country. The climate is continental; its main feature is an important difference between summer and winter weather. The temperature difference is 16-80° F. (Great Britain's difference is 32-67° F.). Nevertheless, on the whole, the climate is comparatively mild, and, therefore, permits the habitation and economic exploitation of soil even in its higher stratas. The average rainfall oscillates between 641 mm. (25.64 inch) and 905 mm. (36.2 inches) per annum. (Labe area, *i.e.*, Bohemia 699; Odra area, *i.e.*, North Moravia and Silesia, 839; Moravia area 641; West Slovakia 811; Ost Slovakia and Ruthenia 905.) The country is rich in forests (actually one-third of surface); the

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entirely unfertile soil represents not more than 1 per cent. Above the soil of this country winds of western and northern direction are colliding. The whole country is divided between three different watersheds, North Sea (35 per cent.), Baltic (8 per cent.), Black Sea (57 per cent.).

From the geophysical viewpoint there is on its one side the lack of direct access to sea (the distance to sea, Hamburg, Trieste, Black Sea ports, is 600-900 km.—360-540 miles), the lack of important raw materials—cotton, wool, rubber—on the other side. There is a comparative wealth in minerals—industrial (coal and metals) as well as therapeutic (radium, salt of Karlovy Vary, Mariánské Lázně, Luhacovice, soil of Piešťany, etc.).

Among the pre-economic influences we would like to count the hostile invasions from the East (Huns, Avarians, Tartars, Turks), especially the last invasion, which had disastrous repercussions.¹ Each and all of them slowed down the tempo of economic evolution.

People living in this area were, in spite of various racial origins, subjected to the same pre-economic influences. In many important respects, therefore, their social character differs from that of other nations living in their immediate or more distant neighbourhood. This people were taught through ages and by experience of happy days as well as of sinister periods how to work hard and precisely, how to take life seriously, and, at the same time, how to enjoy it. To say it negatively and approximately only, they are not so optimistic as the English nor so pessimistic as the Germans sometimes were. To say it positively with Masaryk they know somehow instinctively the inner sense of synergy, of pain and joy.

Such are Czechoslovakia's pre-economic conditions, omitting all details, and touching as lightly and cautiously as possible the dangerous question of the national character.

II.—BEFORE 1918

Consequently to its pre-economic situation the economic life of Czechs and Slovaks, through boom and slump, has oscillated according to the changing importance of sea and of agricultural soil and raw materials in the world economy. Thus the country flourished economically in the Middle Ages, especially during the time of Charles IV (1346-1378), with immense economic wealth, resulting from the undisturbed agricultural life and from the mining industry of Jihlava, Kutná Hora, Jáchymov, Banská Štiavnica and Bystrica.

¹ It may be interesting to note that at the beginning of the 17th century the population of the British Isles (4 millions) did not much exceed the population of Bohemia and Moravia of those times.

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When the sea became the indispensable condition of human expansion and national wealth the country passed through sinister times.¹

When sea trade lost its first-class importance in the development of world productive forces, or when in consequence of new means of communications, especially of the invention of the steam engine and the railway locomotive, industrial and agricultural production became, at least, equal to sea-trade, the country was raised to a new and high economic standard. The end of the eighteenth century and onwards has witnessed an uninterrupted growth in numbers of mines, factories, industries, and a new rise in agricultural production, accompanied by the rising importance of peasant and working-class.

The effects of these economic facts are reflected in the stratification of the Czechoslovak population: 35 per cent. are occupied in industry, 35 per cent. in agriculture, the rest in distributive and other auxiliary services (including public administration).

The new industries such as cotton, leather, rubber, and wool for clothing, have made the country dependent on imports; on the other side, the riches of coal, iron and skilled and comparatively cheap manpower have made exportation an essential first-line interest of Czech economic life.

In this way the economic area of Czechoslovakia grew to be a most important factor in Central Europe, and it became the main supplier and purveyor of industrial products—tools and machines (productive goods) as well as final products (glass, sugar, textiles)—and of some highly cultured rural products (hops and malt, barley, cucumbers, inland-water fishes, etc.) for the vast area inhabited by some 100 millions of men and stretching from Lake Constance to the Black Sea.² Some of these products attracted very important buyers, not only from all other parts of Europe, but even from all continents.

III.—AFTER 1918

1. Czechoslovakia and Central Europe, 1918-1929

Nevertheless the year 1918, *i.e.*, the birth of new national and political independence, found the country of Czechoslovakia economically and socially bound to Central Europe. These bonds

¹ One must entirely agree with the recent observation in A. J. B. Taylor's "The Habsburg Monarchy, 1815-1918," p. 5: ". . . With the Bohemian Diet, which was the heart of privileged resistance (*i.e.*, against the House of Habsburg in 1618), the struggle could not be avoided, especially when the nobility—like the Estates of Netherlands—called to aid of privilege the new forces of Calvinism and Nationalism. But unlike the Netherlands, Bohemia lacked a rising commercial class to transform the defence of outworn privileges into the winning of new freedoms."

² The geographical area of "Central Europe" is discussed in August Lelek's "La Collaboration Économique des Nations de l'Europe Centrale," p. 7, published 1931. Paris.

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were not confined to the area of the former Austro-Hungarian Monarchy (even if the country possessed 75 per cent. of the whole Austro-Hungarian industry). They covered the whole area of Central Europe.

The following table covers the three culminating years of each of the boom periods. The year 1933 was the lowest point of economic crisis in Czechoslovakia:—

Exports in mil. Kc (140 Kc. = £1) to

	I.	II.				
	1926	1927	1928	1933	1934	1935
Poland ...	363	661.2	850	157	139	258
Rumania	834	907	870	221	271	383
Yugoslavia	963	926	947	197	258	318
Hungary ...	1,227	1,621	1,468	190	154	139
Germany	3,552	4,847	4,694	1,045	1,559	1,173
Austria ...	2,901	3,064	3,123	721	769	754

[54 per cent. of Czech imports were *raw* materials used particularly for export of final products, which represent 75 per cent. of the whole volume of exports.]

The above data show clearly that the sphere of Czechoslovak economic interests in Central Europe was not identical with the boundaries of the former Habsburg Monarchy. In some directions it overlapped it, in others it did not fill it up.

It is therefore clear that the only provisions of the Versailles, Trianon and St. Germain Treaty concerning economic reorganisation of Central Europe (by the way, one of *so few* economic clauses of this sinister¹ Treaty) were entirely inadequate. They provided that the successor States (Austria, Czechoslovakia, Hungary, Poland and Yugoslavia) are entitled to make special trade agreements to facilitate the interchange of indispensable goods in the mentioned area. If, after six months from the validity of the Treaty, such special agreements were not made, each of the mentioned States, which was interested in such an agreement, was entitled to appeal to the Commission for Reparation, and to ask for help against the reluctant partner.

Economic reality completely ignored this clause. In the first after-war *normal* boom, Czechoslovak commerce was governed by geographical and economic considerations and not by the Versailles Treaty. Czechoslovak economy being under conditions of unrestricted goods—exchange settled itself the sound economic circula-

¹ We dare use this term as we know that important statesmen of Western Europe have criticised that Treaty already so severely, as, for instance, the outstanding judgment of the late Lord Lothian, quoted in "Round Table" in autumn 1939, etc.

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tion of products. In the peak year of this post-war boom, 1929, Czechoslovak exports rose to the value of 20½ milliards Kc. In that year Czechoslovak exports exceeded the export of the *whole* of Austria-Hungary during the year 1913 by 8.9 per cent. Czechoslovakia fulfilled in those days its functional mission in the vast area of Central Europe. Austria, Hungary, Rumania, Yugoslavia, Bulgaria, Germany and Italy took 54 per cent. of these exports (with Poland 58.1).

Those happy days were followed by a period of world economic crisis, which began at the end of 1929.

The effects of this crisis were disastrous for Czechoslovak economic life, for its industrial branch as well as for its agricultural. Czechoslovakia lost in the period 1929-33 the Central European markets. After the lowest point was passed in 1933, the slow recovery began, but Czechoslovakia never succeeded in regaining these natural and traditional markets. But even in the time of supreme emergency, when Czechoslovak exports fell to the lowest point of 5 *milliards Kc.*, the mentioned provision of the Versailles Treaty was of no use. Nobody tried to remember it in face of the terrible forces which appeared on the horizon in and after 1933. "Innocuous *désuetudo*" was its deserved fate. (The validity of the provision itself expired after five years.)

Excursus on the Problem of Habsburg Monarchy.—There is no question that the "occasio" and even the "ratio legis" of that clause of the Versailles Treaty was the widespread idea of the supposed economic and political importance of the Habsburg Monarchy. Masaryk described in "World Revolution" how deeply rooted was this idea among the ruling classes of Western Europe during the first Great War. The article was clearly a sacrifice (a compromise) made at Versailles to those influences. We have seen that it was a useless instrument. It was also a useless sacrifice.

Let us, therefore, mention the question and the fate of Habsburg Monarchy from the economic viewpoint.

This Monarchy represented an overlived and outworn political system of feudal type which could no longer sustain the expansive pressure of new outside and inside economic forces. Its fate was sealed by two coincident drives.

The contradiction between the limits of the home market and the high concentration of capital, which demands boundless enterprising and enormous markets, forced the rising German Empire into conflict with the Western Powers in 1914. Such a conflict, as always in history, releases forces which the initiators of the conflict never expected. And so German defeat in this economic conflict in 1918 not only brought to the end the wave of German and Viennese

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liberalistic expansion, but released vigorous national forces hitherto hidden under the cover of the old feudal shell of Habsburg Monarchy. These forces naturally surpassed sometimes in their hasty outburst their own measure and proportion.

The example of Skoda works is instructive. Being during the last years of the Monarchy a ready and docile tool of the economic and military expansion of Central Powers, and as such directed parallel with the Krupp works, they shared the fate of German economic defeat of 1918. They passed, under allied Franco-Czech ownership, into the sphere of Western economics. But, for instance, in the sphere of motor-car manufacturing they lived in competition with the more developed Anglo-American motor-car industry.

One could quote other examples, especially from the sphere of agricultural production with its noxious results for Czechoslovakia's Balkan relations.

Yet, on the whole, these and similar difficulties produced no serious or lethal danger for the sound economic development of Central Europe. All these and other insufficiencies could be settled in a comparatively short time by the younger, unprejudiced generation. Yet the second clash of Germany and the Western World has come, and again the problem has to be solved—to what service will free men direct the industrial capacity of Czechoslovakia.

2. Czechoslovakia and the World, 1929-1938

The effects of the world economic crisis of 1929 *et seq.* were not all disastrous. Czechoslovak agriculture and industry were compelled to look for buyers in two main directions; first, in new markets abroad; and, secondly, in home markets by increasing the ability of people to buy. The search for new markets is treated in this section. The raising of the consumption power of the home population (the intensification of home market) will be treated in the next section.

The search for new markets was based on the conviction that close geographical proximity is not an essential pre-requisite for the development of economic traffic. This conviction undoubtedly induced the leaders of Czechoslovak industry to adopt the motto of export-businessmen of Hamburg: *Mein Feld ist die Welt* (My field is the world).

Engineers, organisers and highly skilled workmen together succeeded in regaining a substantial part of the lost export trade. They regained it on markets of the whole world. America—North as well as South—took a very important share of these increased exports. United States of America, with 1,170 Kc., was on the fifth place in exports in 1928 (after Germany, Austria, England,

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Hungary). In 1935 it already was the greatest customer for Czechoslovak final products (with 518 mil. Kc.). In 1937 U.S.A. moved to second place in Czechoslovak exports. Great Britain followed similar lines. New markets, with a great variability of products, were discovered; Soviet Russia, Persia, South Africa, China, and so on. The pre-conditions of these successes prevalently were:—

- (a) Clear organisational work and new forms of management.
- (b) New forms of organisation and exploitation of the highest possible skill in precision work—in musical instruments, glove manufacture, in machines and tools, armaments, aeroplane engines, optical industry, etc.
- (c) Great and traditional experience in production of machines for agriculture, sugar factories, breweries, mechanical mills, etc., and for locomotives.

In all these directions the pre-economic as well as economic elements of Czechoslovak economy played an equal part with traditional skill, tenacity and modesty of life of Czechoslovak people.

It was a gigantic task, and it was performed mostly by an anonymous and modest army of industrial managers, engineers, organisers and workers. Their merits will be appreciated in the history of the Czechoslovak nation for ever. They strengthened decisively the capacity of the country to resist crisis of *every* kind.

The structure of the Czechoslovak industry changed, of course, essentially.

Apart from outside obstacles these successes were hampered by what we would like to call the *gerontocracy* in Czechoslovak industry. But, in our day, one can find this obstacle everywhere in the sphere of the Western civilisation, so that it was no specific Czechoslovak difficulty.

The exports of Czechoslovak productions increased from 5,923 mil. in 1933 to 11,981 mil. Kc. in 1937. There were in the meantime two devaluations of the Kc (1934 and 1936), which together represented a reduction of one-third of gold content of Kc. But we cannot take it in account in the estimation of the export volumen, because the countries buying Czechoslovak products passed through similar devaluations.

The Central European exports, as already said, never recovered. From 58.1 per cent. in 1929 they sunk to 38.9 in 1937. That sinister sign was undoubtedly the reason of attempts, unfortunately *too late*, to provide some substitute for the provision of the Versailles Treaty (so-called Hodza-Schuschnigg scheme).

In this period (1929-1937) the strength of competition brought into prominence some means and methods for the better manage-

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ment of exports and the more efficient service of foreign markets. In 1931 the State supervision of foreign currency and foreign trade was introduced. The supervision was in the hands of the Czechoslovak National Bank and the Ministry of Trade. There were created many other forms of export protection: export insurance, State guarantees for export credits, Czechoslovak Export Institute (1934), etc. The whole trend of this export policy probably only reflects the growing keenness of competition in the world's markets. But before the war the struggle for free markets was leading nearer and nearer to controlled or "planned" productions, State supervision of foreign trade, etc. All these problems occupied the best Czechoslovak brains intensively. They led to some preliminary results in the sphere of relations between State and the planned economy, which are registered very accurately in Sir H. Bunbury's excellent study, "Governmental Planning Machinery" (1938, Chicago), covering, of course, not only the field of foreign trade, but also the field of home production.

3. Czechoslovakia Inside.

The home market was the second sphere, where the remedy of production slump of 1929-1933 was sought. Terrible experiences—not only in Czechoslovakia—were needed to show, after all the hunt for new markets, that the home markets were worthy of consideration. The question was how to increase purchasing power within. In other words, how to maintain and raise the standard of life. Here we touch the sphere of "social services" and the sphere of *social* economy. Step by step it becomes clearer that the very sense of production is not to produce commodities for uncertain and "free" markets, but to produce useful things for *consumption*. Everyone's work shall be "rentable," i.e., it must provide sufficient means for living. The sense of work is not to produce, but to live. The Czechoslovak standard of life has been determined by two main influences, which both had their good as well as bad effects.

(a) As consequence of the economic evolution the Czechoslovak nation was first of all deprived of, or should one say, freed from the upper class (feudal and commercial aristocracy). After 1621 there were neither gigantic landlords of Czech origin nor a business aristocracy like Fuggers or Welsers in Germany. The development of agriculture and the minerals for industries in the seventeenth century and after raised the worker from serfdom to a conscious peasantry and wage-earning working class.

This evolution of status was completed after 1918 by the land reform, which liquidated the remnants of feudal aristocracy (mostly of foreign origin). State efforts to raise and maintain the standard

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of life were influenced by developments in Russia after 1917, and by the consequent policy focused by the I.L.O. These resulted in the development of social insurance, wages advances, social welfare, etc. Thus the people of Czechoslovakia entered on its independent political life as a people without excessive extremes of individual wealth or poverty.¹

(b) But the economico-geographical position situated this people in the transitional sphere between Western and Eastern civilisation, *i.e.*, between the spheres of high- and low-living standard. In consequence the Czechoslovak living standard was low in comparison to the west—even if it was not so low as in Balkan regions. Some examples may be quoted:—

The *consumption* of sugar:—

in Great Britain	110	in Czechoslovakia	56	in Bulgaria	10
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The *consumption* of meat:

170	73	5
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kilometres of roads in square km.

118	50	
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telephones per 1,000 inhabitants

47	12·7	
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The question of *rentable* labour as the *primary* condition of all production, a question which opened new and broad horizons and new and difficult problems, arose practically and was managed in the sphere of agricultural production.

The world crisis began in 1929 with the agricultural crisis. Already in 1930 the situation of Czechoslovak peasantry was so bad that this class was ready to give up its enterprising freedom, *i.e.*, freedom to enterprise for "free" and uncertain markets, if only the "rentability of grain prices"—as they argued—were secured. In 1933 a private but privileged Company was created, which made a contract with the State about the grain monopoly. In 1934 the State-supervised grain monopoly in the form of a company was created. The Company was founded by law; the chairman of the Board was appointed by the State. There were provisions to secure the State's influence and supervision from the viewpoint of the

¹ In 1918 275 big land proprietors owned together more than 38.3 per cent. of the whole area of the country. The land reform dealt with some 4 mil. hectares out of the total State of 14,000,000 hectares; 1·8 mil. hectares were distributed to new owners. The distribution was made to 635,535 applicants, of whom 631,202 have received allocations of 0.1 to 30 hectares.

Small farms represent now more than 86.6 per cent. of the whole of Czechoslovak agriculture.

From 60 milliards of savings in 1936 some 40 milliards are accumulated in co-operative, municipal or similar saving institutes. They belong therefore to the higher working and peasant class and to the middle class.

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Ministries of Social Welfare, Foreign Service, Home Services, Trade and Agriculture. But the shares of the company are held by interested autonomous sections of the economic life: grain producers, co-operatives (consumers), flour-mill owners, grain merchants. The Company was authorised by the State to fix grain prices and to execute the foreign and home trade monopoly. This, in fact, revolutionary experiment, of course, after many bad and expensive experiences, succeeded.

One experience was especially interesting: the authoritative regulation of production and consumption had, in Czechoslovakia, a very ominous forerunner, the so-called "Kriegswirtschaft" (war-economy) of the late Monarchy in 1914-1918. Especially in grain production the Austrian administration showed its complete incompetency; there was corruption, black market, racketeering, and red tape during the Great War—all that was still a living but abhorrent memory. Yet the plight of the Czechoslovakian peasantry was so heavy that these memories, at the outset, roused no serious objections to the new plans even if later the grain monopoly suffered by very similar defects. But its main aim was achieved; it secured rentable prices to grain producers and did not substantially raise the price of grain products (flour, bread, etc.). It was accompanied by similar regulation of live-stock monopoly, of supervision of hop production; it was preceded by the regulation of sugar-beet production and sugar production (Chadborne scheme). All these measures changed deeply the structure of Czechoslovak agricultural production: the sowing spaces for wheat and sugar beet were cut, new industrial plant (oleaginous, etc.) introduced, new modern methods of grain storage used, etc. Not only the German (Nazi) agricultural leader came to study this progress and its inevitable infantile diseases. Also the French and Yugoslav peasantry were interested in this organisational experiment. But before it could be perfected the fateful year, 1938, put its deadly hands on Czechoslovakian life.

In the sphere of the industrial production monopolistic and regulatory tendencies proceeded more slowly; they made important progress after Munich, 1938-1939. They never reached such organisational completeness as in the sphere of agricultural production. The State interference was not a normative (compulsory), but only advisory (the creation of the Economic Department to the Office of the Prime Minister in 1936) or indirect one (import quotas for food industries, export quotas for textile industry, and so on). Consequently concentration and rational management did not progress so consistently. It is also worthy of note that the industrial workers never had any such influence in the organisational planning of industry (in the management) as the peasants got in the grain monopoly.

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Their standard of life was protected only by social service measures, such as minimum wages, compulsory collective bargaining, high standard of social insurances, and so on. But even those inadequate measures raised the consumption power of the working class which, with the *strongly* increased consumption power of the peasantry, resulted in a sensible rise of home consumption. This trend of economic evolution was later strengthened by the production for war effort, which finally solved the difficult question of Czechoslovak unemployment.

IV.—FINAL OBSERVATION

The economic history of Czechoslovakia differs very strikingly from the so-called political history of that country. One can read very voluminous descriptions of Czechoslovak political life in the last twenty years and find few facts of so decisive a nature for the life of the nation, as, for instance, the industrial struggle against the crisis of 1931-1937; or the economical components of Central European reality in those twenty years. There were some sixteen changes in the Government composition (in Administration) in the whole parliamentary life of Czechoslovakia; hardly a third of them was caused by economic questions. The only serious one was the question of gliding customs tariff for grain. Pure political reasons prevailed. It is interesting, perhaps, to note that the first *positive* vote of its Sudeten German M.P.s in the Czechoslovak Parliament was on an economic question: members of the Sudeten German Agrarian Party voted in 1926 for the Government's Bill on fixed customs on grain import (the forerunner of grain monopoly).

These facts do not mean that various Czechoslovak Governments were not busy with economic questions. On the contrary, they were overburdened by them. But Governments were composed of politicians—not economic experts (real experts, of course, not "technocrats").

But this deficiency was no Czechoslovak particularity. The whole European evolution after the first Great War suffered from the same malady: by the discrepancy between the public interest in politics and in economic questions.

This evolution began with the Treaty of Versailles, which was a political and not an economic instrument—with only one exception: the economic instrument of I.L.O., which alone of the whole structure of Versailles still survives.

The reason is obvious: those twenty years after the first Great War were a transition period between the old (nineteenth century) style of government and the new one. The old one was liberalistic *not interfering* with economic matters. The new one is the style of management of social economy.

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BIBLIOGRAPHICAL NOTES

The above study, being a very simplified and synoptical survey only, makes some references on the principal sources of Czechoslovak economic history necessary. These sources will possibly facilitate a closer information for students interested in details of our subject.

Heading—Introduction: The best and almost unsurpassed analysis of pre-economic elements in man's social life is to be found in Friedrich Engels's "The Origin of Family, etc.," written in the nineteenth century. The recent English appreciation of this work and its adjustment to modern anthropological research is to be found in works of Prof. George Thompson from the Birmingham University. Very important study on climate and human history was written in recent days by Julian Huxley ("Uniqueness of Man," London, 1940).

Headings I, II, III: I do not mention some controversial works written on problems of Central European economics generally and on problems of Czechoslovak economy specially. It is more useful to concentrate on pure elements of economics and take no notice of some prejudiced viewpoint. This principle is especially to be applied on questions of recent historical fact, where the danger of distortion is particularly high.

These pure elements were in Czechoslovakia analysed in two kinds of publications: one of public, another one of private resources.

The bias of both these series of publications was reduced to the minimum achievable in human work: there was the pure interest in *economy*, as it was defined above, that leaded these publications. Of course it was a *national* economy, which according to the permanent laws of "free markets" economic system necessarily competed and therefore struggled with other *national* economies. This competition and struggle are almost the only one element which infringe the impartiality of these publications. And these elements cannot be in the mentioned system eliminated.

(1) The publications of Czechoslovak National Bank were really admirable works of precision, compactness and clarity: particularly the symposium called "Ten Years of C.N.B.," 1937. It was written and composed by a group of scientific workers, all employed by that Institute and prevalently young men, whose opinions were distorted neither by out-worn experiences nor by any private interest. (2) The year-books published by the banker Petschek. Almost all the just mentioned qualities of the National Bank's publications were preserved in this private series.

All these books are available in English.

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There are especially two Czech economists who, through long years and with foresight, successfully persuaded public opinion about the importance of a new economic Central Europe. They are R. Hotowetz and V. Schuster, whose views and opinions, some published in English, are of great impartiality.

Heading IV.—The chronological descriptions of Czechoslovak political history are to be found in Peroutha's "Making of a State" and H. Klepetar's "From 1918." Both these professional journalists—one Czech, another German—collected very valuable materials and facts, even if they committed some serious historical mistakes and failed to surpass the frame of only chronological works.

A work of high historical standard was written by Prof. Susta, from the Charles University, Prague, in the above-mentioned publication of Czechoslovak National Bank, concerning the times before 1918.

Finally, I would like to express my gratitude to two Czechoslovak men who, one from long ago, another from recent days and quite other economical sphere, never refused to give me instructive information from their rich experiences. They are Emil Lustig, Managing Director of Czechoslovak Co-operative Wholesale Society (now living in Argentine), from whom I learned to appreciate the importance of the consumptive power of population (the home market), and Auguste Löw-Beer, leading Czechoslovak industrialist, whose ideas on the Central European problems strengthened authoritatively my own modest opinions.

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The Higher Civil Service of Great Britain

By H. E. Dale, C.B. (formerly Principal Assistant Secretary, Ministry of Agriculture and Fisheries). (Oxford University Press.) 10s.

MR. DALE went from Balliol College, Oxford, to the Colonial Office in 1898. At Oxford he was the best classic of his year. His principal service has been in the Colonial Office and Ministry of Agriculture, but he has also held such posts as Secretary to the Development Commission and to the Unemployment Grants Committee. Various Government missions have taken him to foreign parts—to British Honduras, Fiji, Jamaica, as well as other places. He retired from the Civil Service in 1935.

The book is a description of the conditions in the Higher Civil Service as they were at the beginning of 1939. The materials were prepared before the war, and the book, though published during the war, does not attempt to deal with present conditions. By the Higher Civil Service, Mr. Dale means, "those few officials who are in a position to exercise a real and direct influence upon Government policy in important matters." They not only give effect to the decisions of Ministers, but they advise Ministers what their decisions ought to be.

The number of these higher officials Mr. Dale estimates as about 550—including Assistant Secretaries, Principal Assistant Secretaries, Secretaries and Deputy Secretaries, and about 50 of the very high technical officers, among these the chief legal adviser in each Government Department (on whose importance Mr. Dale lays much stress), and also such officials as the Chief Medical Officer and Chief Engineer in the Ministry of Health, the Chief Inspector of Factories in the Home Office and of schools in the Board of Education. The Ministers' Private Secretaries (usually principals) are also included in the 550. The line drawn is unavoidably somewhat arbitrary. It may happen, for instance, that the principal of a branch whose work has come into the limelight and who is an expert in his subject can exercise a direct influence on policy. This particular instance Mr. Dale admits.

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It is, however, open to question whether a logical line can be drawn anywhere. Not only principals, but also assistant principals, staff officers, executive, and even clerical officers, according to each man's ability and personality, can, at times, exercise an influence direct or indirect on policy. This was the position at the Ministry of Health before the war. It may be that there was greater devolution of responsibility in that Department than in other Departments. The above point is of some consequence, as it constitutes a main reason for the denial to all civil servants, not merely to those at the top, of the right to take an active part in party politics. Really the author is concerned with those officials who are most likely to come into direct contact with Ministers and the Parliamentary machine.

The book avoids controversial and constitutional issues. It contains a clear and detailed statement of the way a high official spent his day at Whitehall. The subject has hitherto been wrapped in mystery. The author thinks it due to the people who are our rulers that the mystery should be resolved. There is perfectly frank treatment, not only of the officials themselves, but also of Ministers, and Members of Parliament. Mr. Dale shows more deference in dealing with high Treasury officials, *i.e.*, in the main text; he falls back into his usual candour even on this topic in the appendices.

The writing is lucid and convincing; there is at times a quality of style not often found in official or ex-official writing, particularly in the chapter headed "Official temper of mind and disposition," a chapter of close and subtle reasoning, and much psychological insight. The official learns in time that there are two sides to every question; that the social structure is very complicated, and that every important proposal will meet with opposition of some kind; that he must look to attain what is practicable, not necessarily what is most desirable in the light of pure reason; and, nevertheless, looking well ahead, that he must justify his proposals on some clear-cut principle, and not merely on what is expedient at the moment. When the course which on balance is best has been approved by his Minister, he helps to carry it through with resolution and a dogged patience. The cool prudence of the official is consistent, and, in fact, often combined with a "strong desire for the victory of truth and reason." The official creed is not cynicism but "stoical realism." (But are they really distinct notions? The Cynics were forerunners of the Stoics.) The author says, "Are not the partisan heroics demanded in the House and on the platform, in fact, a criticism of our present degree of candour and intelligence, rather than of the Civil Service? Is not the Civil Service creed in fact nearer to truth and reality, and would not its articles be accepted, in private, by most men of sense and experience?

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Then no other defence is required; *magna est veritas et praevalebit*. If the high official wields much power, one reason is that the beliefs of his intellect and the general temper of his mind, as I have endeavoured to describe them, are created by, and therefore adapted to, the invincible facts of life and government in a closely organised community."

The author, in concluding this chapter, states in effect that he has been describing simply the ethical and intellectual habits of the mass of English professional men, in whom the higher civil servants are included, the differences being slight and superficial against the fundamental likeness. One may venture to doubt this conclusion. The official qualities described above go beyond those of the average professional man and rather resemble those of the judges; in one sense they go beyond even these because the official not only has, at times, to interpret the laws, but also has to do constructive work in helping to devise better laws.

The book is not all eulogy by any means. The author does not attribute a superlative degree of ability to civil servants (nor, indeed, to Ministers or Members of Parliament). Judging by his own experience, men of the class of Sir Robert Morant, men of great driving power and devouring zeal combined with high intelligence, have been in the Service very rare. (Probably they have not been so rare as Mr. Dale makes out—the ardour of a man like Morant inspires successors.) Some men, a minority, who have passed into the Service through the examination of the administrative class, have suffered a loss of animal spirits and vitality through the long grind and mental strain between the ages of 13 and 23, which may affect their capacity for leadership and responsibility when they have passed the age of 40. Here Mr. Dale makes an interesting point. A further point might in this connection be suggested, not essentially different from Mr. Dale's point. A prolonged academic training among many advantages has this disadvantage, that it may repress the free exercise of the mind's original force and encourage undue subservience to authority and customs. Mr. Dale speaks of the dizzy fall from the status of an Oxford or Cambridge man in his last year to the obscurity of a new junior in a large department. My recollection is that a junior in the old Local Government Board, even in his first year, was expected to express a definite opinion on the question at issue on any file that came his way, the result being a call on faculties of judgment which years of University life had not exercised. A simple suggestion is to alter the character of the examinations, apart from any alteration in University methods, that may be necessary. Questions to examinees should, for instance, bring out, not what Plato or Aristotle or any other worthy of the past thought on any subject, e.g., the

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meaning of a virtuous life, but what the examinee himself sincerely thinks about it, and wherein he considers that the opinions of these ancient worthies are fallacious.

An important question arises from the above, on which the author has not touched, or, if so, only incidentally. There were 120,000 civil servants before the war, apart from manual and industrial workers and messengers, of whom 1,430 were in the administrative class. Below the administrative class there must be, among the 120,000, instances of great potential ability. Promotions to the administrative class had increased in the years before the war, but usually they were made at an age when a man could not hope to rise above the status of a Principal. Much more use, and much earlier use, might be made of this reservoir of potential ability. The clerical and other officers concerned have not had a University education; but this in itself is not of vital consequence. They may lack social background. They are not, and probably never will be, members of the Athenæum, Reform, Union, and other clubs to which, as Mr. Dale states, most of the very high civil servants belong. Mr. Dale lays much stress on these social elements, and no doubt they were important in the past. But even before the war their importance was diminishing. After all, there were clubs and societies in London (*e.g.*, the Ancient Society of Cogers), with an annual subscription of 5s. which, far more than the above-mentioned clubs with their 12 or 20 guineas subscription, resembled the Mermaid tavern of Elizabethan times, places where wit, wisdom, humour, freedom of thought abounded.

In his concluding chapter Mr. Dale states that a man who has risen high in the Service has the philosophic delight of being behind the scenes of the stage where the greatest of dramas is being enacted. (He means, presumably, the government of men.) The words are reminiscent of a writer who of all writers has said most in praise of higher civil servants, that is, Plato. In the Republic he calls them guardians; in the Laws, law wardens. Distrusting as he does professional poets, artists, writers of all kinds, he says somewhere that no one is so well qualified to write for the instruction of mankind as a retired law warden. If he has any leisure in these perilous times, Mr. Dale might well fulfil this rôle.

W. A. Ross.

Advisory Bodies

Edited by R. V. VERNON, C.B., and N. MANSERGH, B.Litt., with a preface by SIR ARTHUR SALTER, K.C.B., M.P. (George Allen & Unwin, Ltd. 1940.) Pp. 520. 18s. net.

It would be untrue and unkind to quote with reference to this book: "The mountains are in the throes, a ridiculous mouse is the offspring." But it would be fair to suggest that the value of this

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book is not commensurate with the organisation, learning and skill that went to its production.

The research which forms the subject of this book was organised by the Oxford University Politics Research Committee with the aid of a grant from the Rockefeller Fund. The joint editors are an ex-civil servant and a young political scientist. Most of the researchers are Oxford students of political science, and all of them were brought into close contact with administrative practitioners at meetings of the Politics Group at All Souls. The speakers at these meetings included Sir Horace Wilson, Sir John Maude, Sir Alan Barlow, Sir Arthur Street, Sir William Eady and Sir Frederick Leggett. It would be difficult to imagine a better means of mating scholarship and practice.

The book begins with a preface by Sir Arthur Salter, challenging and all too short. Then follows a workmanlike foreword by Dr. Mansergh setting forth the scope and aims of the book. Next is an introduction by Mr. Vernon, based on the admirable model of Machiavelli's "Prince." Here, he says in effect, is a machine that can be used, one which in these days it is hardly possible to avoid using. ("The final test of a thing is 'how it works,' and logic and consistency are negligible considerations.") If you want to achieve a certain result, use it in such and such a way; if you want to achieve another result, do so and so. Above all, make up your mind beforehand what result you want to achieve.

One lingers over these introductions as over the gay wrappings of a pre-war Christmas present, and so gets down to the present itself. It consists in the main of nine small packets, namely, surveys of the use of advisory committees, in the reform of Government machinery as a whole, by the Treasury, by the Board of Trade, by the Board of Education, by the Ministry of Health, by the Industrial Relations Department of the Ministry of Labour, by the Unemployment Assistance Board, by the Mines Department, and by the Ministry of Agriculture and Fisheries. The omission of the other Departments is deliberate (and, on the whole, well justified), except that in the case of the Home Office and the Lord Chancellor's Department the outbreak of war was responsible. A useful summary by Mr. Vernon follows, and the inevitable appendices complete the work.

There is not, of course, very much in common between the Conference on the Reform of the Second Chamber and the Committee on the Warble Fly Pest, and within so heterogeneous a range of subjects it is pardonable to lose sight of the wood for the trees. An effort is made to avoid this danger by means of a summary of conclusions at the end of each chapter. The effort is not always successful; the chapter on the Board of Trade drags the reader through the very

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diverse operations of that Ministry, and the summary is short and of little value. Some of the other writers are more successful; Mr. Mackintosh, in particular in his chapter on the Ministry of Agriculture and Fisheries, shows great skill in selecting and arranging his material so as to illustrate his critical commentary. Nevertheless to the ordinary civil servant Mr. Vernon's contributions are the most useful; and unfortunately they remain distinct from the rest of the work as the wrapping is distinct from the contents of the parcel. There is little to indicate that they influenced the research work or were influenced by it.

Most of the authors assure us that a small advisory body is likely to be more successful than a large, and Mr. Vernon emphasises that terms of reference should be clearly defined; but what the administrative practitioner would like to have seen are instances of committees which in their sphere were wholly successful, and which, therefore, might serve as models. Unfortunately most of the authors have no clear standards of success. Let us pose the question in its simplest form; how far did a particular advisory body modify by its recommendations the subject into which it was appointed to enquire? How far did the Haldane Committee modify the machinery of Government? The answer is, very little; and Dr. Mansergh's statement that its report is "the most important constitutional document of recent years," though not exaggerated, is beside the point. How far did the Newbolt Committee modify the teaching of English in England? The answer is, greatly; and the fact that it also produced a "best-seller" was no doubt one of the reasons, and also an additional proof, of its success. But this test of success is over-simple. We have to ask ourselves the further questions, did a particular subject require positive action, or did the Government which set up an advisory body to enquire into it intend that any positive action should be taken? The answer to the first question depends on the views of the enquirer; the data for an answer to the second question must usually be a matter of guesswork. It seems reasonably certain, however, that before setting up the Amulree Committee the Government had committed itself to the general principle of holidays with pay, and the committee rendered a notable service by reconciling the various interests involved in this contentious question, and producing a workable report within a year of its appointment. It is probable, though this is only guesswork, that before the appointment of the Donoughmore Committee on Ministers' Powers the Government was satisfied that it had a good case. Machiavelli would suggest, no doubt, that if the Government is attacked and is satisfied that its case is strong, it should appoint an advisory body; but if it is not satisfied, it is better to take swift and decisive action without one.

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The Geddes Committee on National Expenditure consisted of five business-men, and was required to find ways of saving a further £100 millions. The Government had therefore clearly made up its mind about the objective; and though the resultant report showed as much indifference to economic trends as to cultural values, there can be little doubt that in view of the popular clamour for business methods the Government acted rightly in setting up the Committee, and that the Committee gave the sort of advice that was wanted. The May Committee, on the other hand, was left to state its own problem; this it proceeded to do with such vigour that its report was the main instrument in turning out the Government which appointed it. It is incredible that this was what Ramsay Macdonald and Snowden intended, and we must therefore conclude that to use advisory bodies as a means of shelving inconvenient problems, on which the Government cannot make up its own mind, is very dangerous.

That is not to say that advisory bodies may not sometimes be used with advantage to give a Government Department advice based on a consensus of expert opinion; successful examples are noticeable, especially within the sphere of education, in which disinterested experts are to be found. Yet even here there is apparently a shortage of them: "the more public-spirited," we are told, "are found again and again in the lists of members." It is noteworthy also that the Consultative Committee's report on the education of the adolescent (known outside local government circles as the Hadow Report) was successful because it fitted in with the Board of Education's plans, and the same Committee's report on books in elementary schools was mainly unsuccessful, presumably because it did not.

Generally, however, it remains true that before appointing an advisory body a Government Department should make up its mind what, if anything, it wants done. When once the broad lines of policy have been decided the value of an advisory body is manifold. "It offers" (again to quote Mr. Vernon) "an opportunity for meeting and answering the criticism anticipated, weighing the alternatives suggested and finding them wanting, and doing all this in a committee room sheltered from the boisterous weather of public controversy." In framing proposals for legislation advisory bodies have been notably successful. Advisory bodies for preparing a definite plan within a predetermined framework are legion, and there is no very sharp distinction between them and the consultation with the interests concerned that takes place as a matter of day-to-day administration. In many ways, indeed, informal consultation is preferable; it facilitates close contact between the experts and the officials, whereas on an advisory committee the official secretary, if there is one, is often the only link between them. The report of an advisory body receives, or

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may receive, publicity, and if the subject is one which excites a general public interest an advisory body is necessary; but if the subject is one which mainly interests particular industrial groups, and those groups are organised in representative associations, there is much to be said for less formal consultation.

In the first sentence of this book Sir Arthur Salter writes: "The proper use of advisory bodies is the right answer of representative democracy to the challenge of the Corporative State"? And in the last sentence Mr. Vernon writes of "a continuous penetration of the machinery of government by the spirit of democracy." Parliament, we may agree, functions negatively rather than constructively, expressing not so much a general "will" as a general "won't." If the spirit of democracy flows into the channel of advisory bodies, it functions constructively and actuates a very useful engine. But are we clear that what flows into them is the spirit of democracy.

The word "democracy" suggests to my mind our three national heroes, Tom, Dick and Harry, as well as their lesser-known sisters, Jane, Anne and Mary. How exactly are they represented on advisory bodies? Frequently not at all; by means of one of their elected representatives, very rarely. Can we regard them as adequately represented by one of these mushroom associations which have a way of springing up when the formation of an advisory body is in question—an Association of Water-Closet Users, for example? Or should we impound Tom and Jane and the rest to serve on advisory bodies as they are impounded to serve on juries? In fact, we find them represented, if representation it can be called, by eminent lawyers, by peers of the realm or by scholars with an administrative bent. All these are no doubt impartial and disinterested; but is it certain, or even probable, that they share the outlook and prejudices of the common man?

It is usually easy to arrange for representation of employers and employees as such, and advisory bodies are therefore a safeguard against bureaucracy. They are also, as Mr. Vernon admirably puts it, "a necessary and effective lubricant." But if they are to function democratically, each of their members must recognise a responsibility to the community which transcends his responsibility to whatever association he is appointed to represent. It is not by machinery, however excellent, and however well used, that the challenge of the corporative state is to be met, but by the general recognition of a social conscience. Such recognition is strong in war-time: hence the paradox that Great Britain is most democratic when so many of the most valued safeguards of democracy have been withdrawn. But the danger is that when peace returns, the strife of parties and classes will break out again and the vision will grow dim.

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There seems no doubt that the use of advisory bodies will continue and be developed. Already some of them have been transformed into executive instruments. It is difficult to say how they will develop or how they should develop; but political planners as well as students of political institutions, must needs take account of them. Both have every reason to be grateful for this book, which surveys the subject for the first time, even though the civil servant, who in his approach to the subject is more cynical and more exacting, remains a little disappointed.

W. D. SHARP.

PUBLIC ADMINISTRATION REVIEW (Journal of the American Society for Public Administration, 1,313 East 60th Street, Chicago, Ill., U.S.A.). Vol. I, No. 4. Single copies \$1.50.

REVIEWING No. 3 of this journal, Sir Gwilym Gibbon wrote (PUBLIC ADMINISTRATION, July-September, 1941, p. 208), "If the quality of the present number is maintained, here is a new quarterly which no student of public administration can afford to neglect."

The issue under review conforms to sample.

It is difficult adequately to review a journal which is so rich in content and conveys so eloquently the impression of happier lands where paper is unrationed. The articles mentioned in this review, therefore, are not necessarily the most important, but those which appeal most to the arbitrary taste of the reviewer.

In "Administrative Normalcy Impedes Defense" (a wealth of meaning in four words!), Mr. Herbert Emmerich, who is Secretary of the Office of Production Management, makes a vigorous attack on methods and processes which are not adjusted to present conditions. It is only too true that "The inertia of established routine is comfortable to the consumer, to management and labor, to military officials, and to civilian public administrators alike."

Mr. Emmerich denounces "memorandising," i.e., sending streams of notes and letters when a few, clear, verbal instructions would suffice. He condemns, also, reluctance to delegate authority. It appears that the U.S. Army has had to depart from "normalcy" in these and other respects. Those responsible for administration in the British Army would do well to examine these questions. Readers of *Punch* will have gathered, quite correctly, that paperwork plays too large and important a part in our military administration. The amount of paper used in basic units such as batteries and companies, the number of letters and memoranda, would appal a civilian administrator. The increasing supply of skilled A.T.S. typists and clerkesses has encouraged multiplication of "office work" instead of saving manpower. Lower formations are, more than ever before, deluged with demands for returns, replies, notes,

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etc.; carbons copies are kept; files accumulate; and the expenditure on carbons, paper, stencils, duplicators, etc., is terrific. Officers have to spend excessively large proportions of their time on clerical work.

What our American friends would say of the labour and paper used because of our complicated and niggardly system of Army pay and allowances would be a joy to hear. But contemplation of the labour and paper involved in granting and refusing Hardship Allowances would leave them speechless.

Dr. Finer breaks some spears with Professor Friedrich on the subject of "Administrative Responsibility and Democratic Government." This debate has been proceeding for some time. Since both contestants accept the Idealist Theory of the State, there is, of course, no end to their making of books.

Dr. Finer's critical reference to the Soviet Government, although written before July of this year, would probably still stand if his view of democracy is accepted. But Dr. Finer should, in fairness, describe the Leninist view of the State, upon which the Soviet Government bases its claim to democratic recognition. According to this view, a government is not a neutral body over and above class groups, but is actually the agent of a class. The Soviet Government claims that since it is the weapon of the only class which now exists in the U.S.S.R., such a conflict between people and Government as Dr. Finer envisages, cannot arise, unless, of course, the class is suddenly possessed of the idea that opposition to the Government is a virtue for its own sake.

Curiously enough, the Leninist theory covers Dr. Finer's question concerning the source of power and responsibility in the Fascist State.

Dr. Finer's article would have provoked a grand and prolonged discussion at a Summer Conference in the "good old days."

Worthy of imitation in PUBLIC ADMINISTRATION is a sketch of the career of Dr. Ellen C. Potter, a distinguished figure in the development of U.S. social services. This sketch is one of a series on "the administrative accomplishments of distinguished career officials in the public service."

Among interesting book reviews is one by Mr. David E. Lilienthal (Vice-Chairman, Tennessee Valley Authority). The book reviewed is "The Managerial Revolution," by James Burnham.

Mr. Lilienthal commences thus:—

"This is an important book. It is superficial, pontifical, and as full of unsupported assumptions as a country dog is full of burrs."

This severe treatment is just, if the reviewer's summary of Mr. Burnham's article is correct. Mr. Burnham believes, we are told,

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that capitalism is expiring and its place is being taken by a type of society which he describes as "managerial." The State will own property and the managers will own the State. Mr. Burnham considers that Germany and the U.S.S.R. illustrate his argument. Let us hope that those who exercise managerial functions in these countries do not take Mr. Burnham too seriously—for their own sakes.

This theme has a distinct resemblance to Mr. H. G. Wells' conception of a world managed (and saved!) by a body of enlightened aviators equipped with a more than ordinary supply of social responsibility. And in "What Marx Really Meant," Mr. G. D. H. Cole describes how the middle classes (in whom we may include all exercisers of the managerial function) created the Fascist machine in order to run the State in Mr. Burnham's sense. All these conceptions bear a distinct resemblance, not only in their superficial approach to the subject, but in their conclusions.

Unfortunately, Mr. Lilienthal is impressed by Mr. Burnham's thesis. He opposes only its application to America, not because the thesis is absurd, but because "The ways of the decadent Old World never have been a real measure of the future of life in the New World." Fortunately for America, the danger to democracy does not come from managers (or engineers, or scientists, or crossing sweepers), or Mr. Lilienthal would discover that the "newness" of the "New World" had nothing to do with the case.

Both author and reviewer use the expressions "property" and "class" in a very loose sense; both are haunted by a fear of bureaucracy, well-founded enough in all modern countries. Lacking clarity themselves, they proceed to turn an industrial group (managers) into a social and revolutionary class.

Since revolutionary theory is so popular, author and reviewer could do worse than study the works of those *successful* revolutionaries to whom we owe so much to-day.

Space and the exigencies of the service forbid more detailed examination of this rich and interesting journal.

JOHN S. COVENTRY.

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Public Administration (Australia), June 1941.

THE journal of the Australian Groups of the Institute continues to give us a well-selected series of papers, mainly from among those contributed to the meetings of the several groups. The war had not by June, 1941, as completely obsessed the thoughts and energies of Australia as it had those of Britain, the southern continent having so far been free from actual air attack and from the threat of imminent invasion. Although, therefore, the impact of the war is the dominant feature of the journal, there are one or two papers included which have an interest outside war-time conditions, notably one on "The Post Office and Public Relations," by E. H. Bourne, and another on "The Individual in a Democracy," by Professor A. K. Stout.

Mr. Bourne's paper indicates that the Australian Post Office has followed very much the same lines as the Post Office of this country in cultivating friendly relations with the public and a better understanding by the staff of the aims and activities of the Department. Professor Stout's paper is concerned with social work and social workers, and is a valuable discussion of the place of the social services, whether administered by the State or by voluntary organisations, in a democratic conception of society—taking the word "democratic" to mean "not only a form of government but a quality or way of life." Professor Stout deals ably and fairly with the criticism that the remedial social services are an intrusion on personality and an influence disruptive of character, and he also meets the contention that these services tend to perpetuate bad social conditions by making them tolerable.

On the first of these two points, he makes some wise and pertinent remarks about the work of those who handle the actual cases and whose duty it is to act as "a sort of intermediary, middleman or interpreter between institutions, whether social or State, and the individual who needs the help of these institutions." On the second point, he rightly says that "alleviation of social evils is no more opposed to social reform than therapeutic medicine stands in the way of preventive medicine," and he observes that the social worker is specially qualified to criticise and advise when measures of reform are being projected.

If the papers on subjects outside the war are largely concerned with the humanising of officialism, those dealing with administration under war conditions give considerable attention to the opposite problem, not always so readily recognised, of officialising to the necessary degree the elements brought into war-time Government service from the outside world, particularly from the commercial world. "The Red Tape School," by "Anon," deals solely with this problem, and gives an account of the steps taken to provide an intensive training for imported accountants which will enable them to understand, as quickly as possible, the essential features of Government accounting and the methods of ascertaining and controlling costs of munition production.

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There is a paper by T. H. Kewley on the proposals for "Child Endowment" during the war; and the Hon. E. S. Spooner writes on "Public Administration during the War and Afterwards." A war inevitably brings to the front the question of efficient public administration and sets thoughts running on ideals and expedients in this field. Mr. Spooner discusses the possibility of obtaining a public service for Australia which will combine in one service the existing type of civil servant and elements drawn from the business world and the universities. His paper is a suggestive and valuable one, even if it does not indicate just how the practical problems of recruiting, training and mixing are to be tackled. A perfect public service is easier to devise than to establish, but it is all to the good that thought should be given to the subject.

A. J. W.

The Yenching Journal of Social Studies, Vol. III, No. 2, August, 1941. (Yenching University, Peking, China.) \$2.00 U.S.

This issue maintains the high standard of its predecessors. From the point of view of PUBLIC ADMINISTRATION, however, the task of reviewing presents difficulties. The *Yenching Journal* is not addressed to public servants in particular. In previous issues this has not mattered much as a considerable number of articles were of direct interest to readers of PUBLIC ADMINISTRATION. In the present issue, however, our sectional interests are not evident. This is not by way of complaint, but to explain a certain brevity in disposing of matter, the content of which is somewhat beyond the reviewer's capacity. This does not mean, of course, that the good public administrator will hesitate to read the material for himself.

Thirty pages are devoted to an article, "The Copyright in China," by Dr. Rudolf Löwenthal. Dr. Ch'I-Yu Wu (Chairman, Department of Political Science, Yenching University) writes "Who Were the Oirats?" The "Oirats" are better known to us—though, at the best, not intimately—as the "Kalmuks." This article is interesting.

Of wider appeal are Professor Henri Barnard's "Notes on the Introduction of the Natural Sciences into the Chinese Empire." Interesting reference is made to the work of the members of the Society of Jesus who first reached China in 1549. Professor Barnard is himself a Jesuit and well qualified to describe the impact of that remarkable body on Chinese thought.

There are also interesting book reviews of which, two by Mr. M. F. M. Lindsay (of "The Twenty Years' Crisis, 1919-1939," by E. H. Carr, and "The End of Economic Man," by P. F. Drucker) are particularly satisfying as examples of lucid criticism.

J. S. C.